The MAGAZINE of WALL STREET

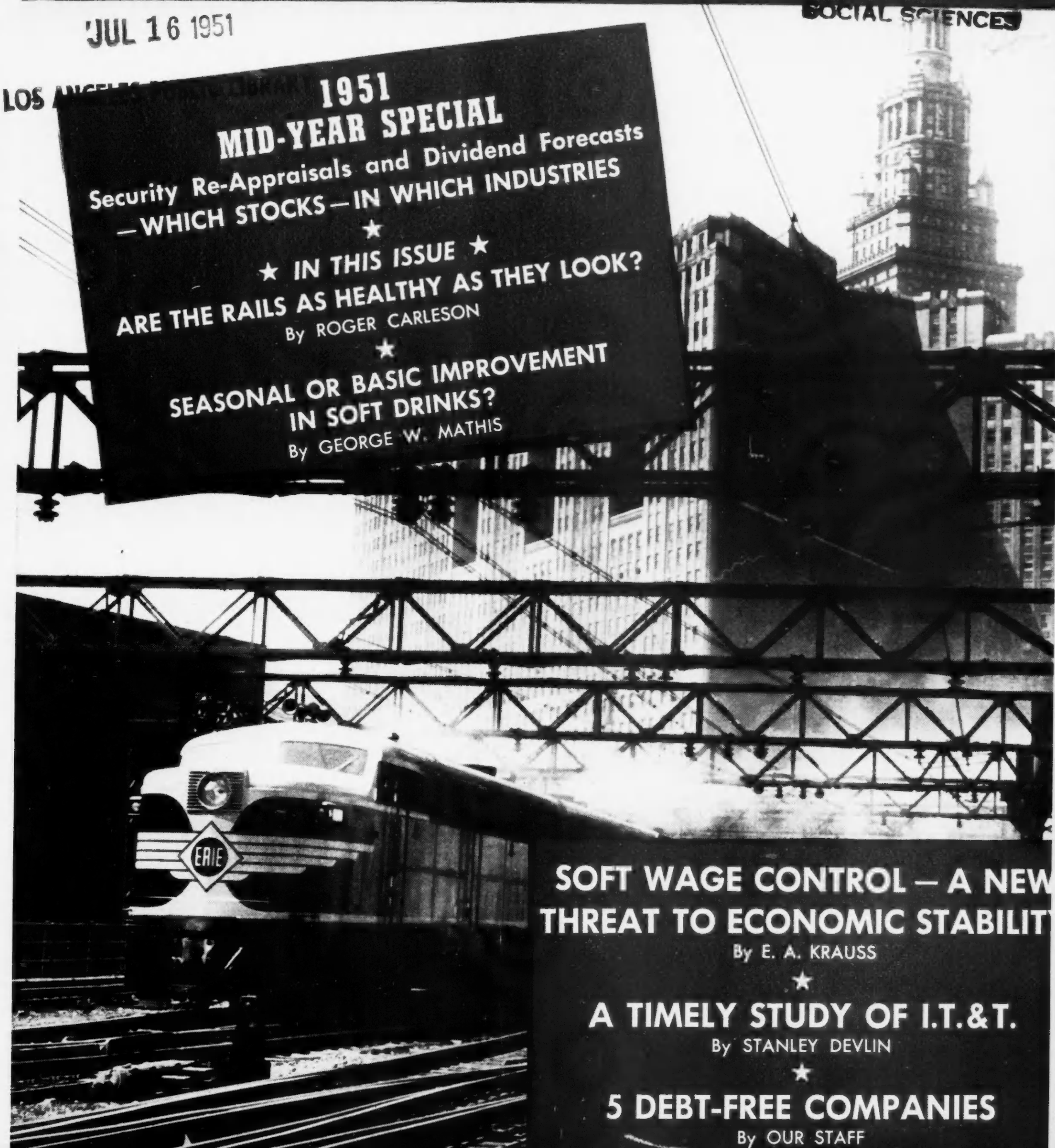
and BUSINESS ANALYST

JULY 14, 1951

75 CENTS

SOCIAL SCIENCES
JUL 16 1951
LOS ANGELES PUBLIC LIBRARY

MARKET CONTINUES VULNERABLE



1951 MID-YEAR SPECIAL

Security Re-Appraisals and Dividend Forecasts
—WHICH STOCKS—IN WHICH INDUSTRIES

★

★ IN THIS ISSUE ★

ARE THE RAILS AS HEALTHY AS THEY LOOK?
By ROGER CARLESON

★

SEASONAL OR BASIC IMPROVEMENT IN SOFT DRINKS?
By GEORGE W. MATHIS

SOFT WAGE CONTROL — A NEW THREAT TO ECONOMIC STABILITY
By E. A. KRAUSS

★

A TIMELY STUDY OF I.T.&T.
By STANLEY DEVLIN

★

5 DEBT-FREE COMPANIES
By OUR STAFF

THE NATIONAL CITY BANK

OF NEW YORK

Head Office • 55 WALL STREET • *New York*

67 Branches in Greater New York 54 Branches Overseas

Statement of Condition as of June 30, 1951

ASSETS

Cash, Gold and Due from Banks		$1,490,164,077
United States Government Obligations		1,508,670,959
Obligations of Other Federal Agencies		37,700,556
State and Municipal Securities		495,273,218
Other Securities		116,879,899
Loans and Discounts		1,823,836,643
Real Estate Loans and Securities		15,621,467
Customers' Liability for Acceptances		43,517,990
Stock in Federal Reserve Bank		9,000,000
Ownership of International Banking Corporation		7,000,000
Bank Premises		28,417,564
Other Assets		3,795,404
Total		$5,579,877,777

LIABILITIES

Deposits		$5,078,996,110
Liability on Acceptances and Bills	$75,311,022	
Less: Own Acceptances in Portfolio	28,122,805	47,188,217
Due to Foreign Central Banks (*In Foreign Currencies*)		8,774,800
Items in Transit with Branches		33,886,792
Reserves for:		
Unearned Discount and Other Unearned Income		11,730,373
Interest, Taxes, Other Accrued Expenses, etc.		35,529,201
Dividend		3,312,000
Capital (*7,200,000 Shares—$20 Par*)	$144,000,000	
Surplus	156,000,000	
Undivided Profits	60,460,284	360,460,284
Total		$5,579,877,777

Figures of Overseas Branches are as of June 25, 1951.

$463,831,001 of United States Government Obligations and $9,010,700 of other assets are deposited to secure $384,754,715 of Public and Trust Deposits and for other purposes required or permitted by law.

(Member Federal Deposit Insurance Corporation)

Affiliate of The National City Bank of New York for separate administration of trust functions

CITY BANK FARMERS TRUST COMPANY

Head Office: 22 William Street, New York

Capital Funds $30,791,521

DIRECTORS

WM. GAGE BRADY, JR.
Chairman of the Board

W. RANDOLPH BURGESS
Chairman of the Executive Committee

HOWARD C. SHEPERD
President

SOSTHENES BEHN
Chairman, International Telephone and Telegraph Corporation

CURTIS E. CALDER
Chairman of the Board, Electric Bond and Share Company

EDWARD A. DEEDS
Chairman of the Board, The National Cash Register Company

CLEVELAND E. DODGE
Vice-President, Phelps Dodge Corporation

L. M. GIANNINI
President, Bank of America National Trust and Savings Association

JOSEPH P. GRACE, JR.
President, W. R. Grace & Co.

WILLIAM H. HOOVER
President, Anaconda Copper Mining Company

AMORY HOUGHTON
Chairman of the Board, Corning Glass Works

ROGER MILLIKEN
President, Deering, Milliken & Co. Incorporated

FREDERICK B. RENTSCHLER
Chairman, United Aircraft Corporation

GERARD SWOPE
Honorary President, General Electric Company

REGINALD B. TAYLOR
Williamsville, New York

ROBERT WINTHROP
Robert Winthrop & Co.

BOYKIN C. WRIGHT
Shearman & Sterling & Wright

THE MAGAZINE OF WALL STREET
and BUSINESS ANALYST

Member of Audit Bureau of Circulations

Vol. 88, No. 8 July 14, 1951

The Ticker Publishing Company is affiliated by common ownership with the Investment Management Service and with no other organization. It publishes The Magazine of Wall Street and Business Analyst, issued bi-weekly, and The Investment and Business Forecast, issued weekly. Neither the Ticker Publishing Company nor any affiliated service or publication has anything for sale but information and advice. No securities or funds are handled under any circumstances for any client or subscriber.

CONTENTS

Cover Photo by Erie Railroad

Copyright 1951, by the Ticker Publishing Co., Inc., 90 Broad St., New York 4, N. Y.

C. G. Wyckoff, President and Treasurer; E. A. Krauss, Vice President and Managing Editor; Arthur G. Gaines, Secretary. The information herein is obtained from reliable sources and while not guaranteed we believe it to be accurate. Single copies on newsstands in U. S. and Canada, 75 cents. Place a standing order with your newsdealer and he will secure copies regularly. Entered as second-class matter January 30, 1915, at P. O. New York, Act of March 3, 1879. Published every other Saturday.

SUBSCRIPTION PRICE—$15.00 a year in advance in the United States and its possessions and Pan-America, Canadian and Foreign Postage, $1.00 additional per year. Please send International Money Order or United States Currency.

TO CHANGE ADDRESS—Write us your name and old address in full, new address in full and get notice to us three weeks before you desire magazine sent to your new address.

West Coast REPRESENTATIVE, J. G. Davenport Associates, 2412 W. Seventh Street, Los Angeles 5, Calif.

EUROPEAN REPRESENTATIVES — International News Co., Ltd., Breams Bldg., London, B. C. 4 England.

Cable Address — Tickerpub

Small companies as well as large need

CLARK EQUIPMENT

for Handling Materials

Every employment of manpower to handle materials is an opportunity to save big money. Clark Materials Handling Equipment gives More Power to Manpower—increases productive capacity, multiplies storage space, reduces accidents, cuts costs! Men are better satisfied, too.

Ask the Clark dealer (see the yellow pages of your telephone directory) about this great Leadership Line of modern handling machines—or write us, for current issue of Material Handling News—Clark Equipment Company, Battle Creek, Michigan.

Products of CLARK EQUIPMENT

TRANSMISSIONS — AXLES — AXLE HOUSINGS for Trucks, Buses, Industrial and Farm Tractors — FORK-LIFT TRUCKS — POWERED HAND TRUCKS and INDUSTRIAL TOWING TRACTORS for Materials Handling. RAILWAY CAR TRUCKS for Suburban, Street and Elevated Railway Cars.

AVCO MANUFACTURING CORPORATION

"A Family of Famous Names"

The Board of Directors of Avco Manufacturing Corporation has declared a quarterly dividend of 15 cents a share on the Common Stock payable September 20, 1951, to stockholders of record August 31, 1951.

R. S. Pruitt, Secretary

420 Lexington Ave.
New York 17, N.Y.
June 29, 1951

NATIONAL DISTILLERS
PRODUCTS CORPORATION

NATIONAL DISTILLERS

DIVIDEND NOTICE

The Board of Directors has declared a quarterly dividend of 50c per share on the outstanding Common Stock, payable on August 1, 1951, to stockholders of record on July 11, 1951. The transfer books will not close.

THOS. A. CLARK
June 28, 1951. Treasurer

75 Years of Service to the Nation

For three-quarters of a century the Bell System has rendered service of more and more value to the American people. The telephone began in this country. Here it has been most widely developed and used. This is a great asset in helping to defend the freedom of the United States.

Our telephone service is also a product of freedom. In the building of the Bell System, countless discoveries and inventions have had to be achieved by the inquiring spirit of free men. Opportunity has been open to all. Competition has flourished throughout the organization. Worth-while incentives and reasonable rewards have fostered the will and capacity for leadership. In the rendering of service day by day, the responsibility to get the message through is accepted as a public trust: that too is the exercise of freedom.

All that has been achieved flows from the nation we serve. Under public regulation, the Bell System has generally been allowed the freedom it needs to perform its service well. It is essential that this freedom to serve be undiminished; that research and invention go vigorously forward; that new leaders be encouraged and prepared to lead; and that earnings be fully adequate to continue to pay good wages to employees, and a return to investors sufficient to attract and protect the billions of dollars of savings that make the service possible.

Through the years private enterprise and public policy in telephone communication have returned a value beyond price. We are confident they will do no less in the years to come. We are determined to meet the responsibilities entrusted to us, and we pledge our utmost efforts, always, in devotion to the public service and to the lasting security and advantage of the people of the United States.

BELL TELEPHONE SYSTEM

THE MAGAZINE OF WALL STREET

C. G. WYCKOFF, *Editor-Publisher* E. A. KRAUSS, *Managing Editor*

The Trend of Events

PROGRESS REPORT . . . Director of Defense Mobilization Charles E. Wilson has made another progress report on the rearmament program, discussing its major phases and appraising both objectives and methods from the standpoint of our national interest. One gets the impression that Mr. Wilson and the country can look with satisfaction on what has been achieved so far. But one gets the further impression that Mr. Wilson is also greatly concerned with rationalization of Administration policies.

This applies particularly to the question of controls, closely related as these are to the size of defense outlays. The heavier the peak rate of expenditures by the Government, the greater the threat of inflation and the need for controls. Mr. Wilson calls for "tough" controls, referring no doubt to the desirability of holding the price level down. But he leaves unanswered the basic question whether these controls are really required and in that respect, he has failed to throw light on some of the obscure and questionable aspects of present Administration policies.

Were it possible to curtail military expenditures, many controls could be eliminated or at least relaxed. Even with presently contemplated defense outlays, the need for really tough control measures is far from proven. One may assume that the current Administration drive for tighter controls points squarely to the intention of keeping military spending at scheduled levels regardless of what happens in Korea. It is an intention that has been sufficiently often reiterated by Administration spokesmen. The Administration will fight against a slow-down and spending will go on not only because of fear of Soviet trickery or to discourage Russian belligerence elsewhere, but also because of fear of a business letdown, should military spending taper off.

Arms outlays, in other words, are not only held imperative in the interest of national defense but also regarded useful as a pumppriming device to keep the economy humming. In saying this, we do not question the need to rearm and pursue the defense program with the vigor dictated by the world situation. But we do think that once the fighting in Korea stops, there will be great popular demand for a critical review of the whole military program. After all, many people, and many legislators, are not so sure that military expenditures, current and projected, are beyond criticism. That's why it would have been a good thing if Mr. Wilson's report had contained some appraisal of either the quantitative or qualitative aspects of defense appropriations. It would have thrown some much-needed light on the real need for "tough" controls, on whether to take at face value the statement that barring such controls, including rollbacks, we'll see prices reach "horrible levels."

Popular demand for more light will doubtless persist. For the time being, there is a great deal of skepticism which has found expression in congressional reluctance to tighten the Defense Production Act according to Administration proposals. Congress instead provided a "stopgap with holes"—forbidding price rollbacks. We don't particu-

We recommend to the attention of our readers the analytical discussion of business trends contained in our column "What's Ahead for Business?" This regular feature represents a valuable supplement to Mr. A. T. Miller's stock market analysis of importance to investors as well as to business men. To keep informed of the forces that may shape tomorrow's markets, don't miss it!

BUSINESS, FINANCIAL *and* INVESTMENT COUNSELLORS: : 1907—*"Over Forty-three Years of Service"*—**1951**

larly like this, holding that a straight extension of the Act would have been preferable. But neither do we share the alarming predictions made in the drive against the rollback ban. The trouble is that regardless of basic needs and the exigencies of a disturbed world situation, both of which are unquestioned, there is no little suspicion that the determination of both controls and arms spending may become increasingly tinged with politics. After all, 1952 is not so far away.

Relaxing our defense effort would be the worst folly but using it for political purposes would be equally bad, for it were bound in the end to undermine the popular support all the more needed if rearming is to continue unhampered under conditions of peace.

TAXES AS INFLATION ANTIDOTE . . . In the face of congressional reluctance to speed up the pending tax bill and make tax boosts stiff enough to suit Administration desires, the nation is almost daily being exhorted by official spokesmen to recognize the urgent need to fend off deadly inflation by submitting to sacrificial taxation.

We agree that raising taxes is one way to counteract inflationary pressures, and we agree above all on the desirability of a pay-as-we-go tax policy. But we do so on the premise that the rise in taxes is accompanied, or better yet preceded, by institution of strictest economy in Government spending. Once the tax money is collected, it is easy to spend it, and it is not always spent judiciously. A good deal of it is wasted unnecessarily. If inflation is to be checked, economy in Government is no less important than a pay-as-we-go policy.

Apart from that, stiff taxation is no inflation cure-all. Rather it tends to be inflationary in itself which is one reason that argues against *excessive* taxation. True enough, there is nothing like stiff taxes for limiting private expenditures and providing for public needs. But taxes do not prevent private spending from accumulated savings, thus can only be partly relied upon to lift the pressure on prices. Last year's price inflation, the sharpest we have had in some time, occurred at a time when the Federal budget was balanced. Budget balance, as sought under a pay-as-we-go policy, thus was quite insufficient to prevent inflation.

However, if stabilization is to be achieved, taxation must be sufficiently heavy to keep demand somewhat below productive capacity, both as to plant and labor force. If it isn't, nothing can prevent price increases. If goods are scarce, prices will move up. And if the labor situation is tight, there will be little difficulty in forcing wage increases. That is what very recent experience teaches us.

Taxation—especially corporate taxation—is part of the production cost and thus will ultimately raise the price of goods. The same can be said about personal taxes, particularly as far as organized labor is concerned. Labor thinks in terms of take-home pay, not of nominal pay. If personal taxes rise, so will the pressure for wage boosts. That, too, we know from recent experience.

In other words, taxes alone cannot check inflation, and excessive taxes can well promote inflation. Those who contend that nothing can lick inflation like more and more production will agree that excessive taxation certainly doesn't spur production. It can have the opposite effect in that it severely limits the production incentive.

Hence, let's not go overboard in our emphasis on taxation, needed as higher taxes are. Let's at least place equal stress on economy in Government to reduce tax requirements to the practical minimum. By cutting unessential budget items to the bone, the Government has it in its hands to promote financial and economic stability far more effectively than by squeezing out of the economy excessive taxes in the name of halting inflation. Let's do away with waste first; it will make the checking of inflation relatively easy.

THE SEARCH FOR OIL . . . The Anglo-Iranian oil dispute has had the effect of stirring up greater interest in the oil resources of the Western Hemisphere which might be called upon to replace the loss of any resources in the Middle East. Oil resources, existing and potential, are thus being re-examined from Alaska to the southern tip of South America.

Disregarding political aspects of the Iranian trouble, many experts think that Latin American republics now face a world oil situation more favorable for exploration and development of their own resources, as well as for the sale of their output. Middle Eastern oil has been actively competing in world markets with Venezuelan oil. With Iran at least temporarily out of the running, and perhaps for quite some time, Venezuelan producers stand to benefit.

Apart from this, the U. S. defense program, rising industrial requirements and increasing consumption in all Latin American countries assure a mounting long-term demand for hemispheric production. Geological maps of the Western Hemisphere show immense sedimentary basins which have not yet been explored although there is a strong theoretical presumption that oil will be discovered.

In the last decade, the world oil outlook has focused primarily on the Middle East due to sensational increases in production and the high capacity of many wells in that area. Except in Venezuela, Latin American republics had difficulties in formulating policies which would assure the maximum collaboration of international capital.

Thus Venezuela has become the second oil-producing and the first oil-exporting country in the world. But Brazil, embracing 47% of the total area of the South American continent, has a very small production confined to the state of Bahia, and is dependent largely upon imports. Peru has discovered valuable oil fields east of the Andes, not yet exploited much because of the great cost of pipe lines to transportation facilities.

Mexico, after a good many difficulties, has finally solved many of its petroleum problems and now has a vigorous development policy with prospects for a long period of expanding production. It has reached this point the hard way brought about mainly by the expropriation of American oil properties and resultant difficulties. Mexico has learned, just as Iran will learn, that nationalization does not solve everything, and that especially it cannot replace valuable technical know-how and badly needed capital. American experience in Mexico undoubtedly has been a factor in the slow development of oil resources elsewhere in Latin America.

BUSINESS, FINANCIAL *and* INVESTMENT COUNSELLORS: : 1907—*"Over Forty-three Years of Service"*—1951

As I See It!

BY ROBERT GUISE

CEASE FIRE—THEN WHAT?

In the bomb-shattered town of Kaesong, the Korean war—one of history's most extraordinary conflicts—is nearing a strange culmination. What will follow is the big questionmark. A truce obviously is merely a first step. The hard problem will be to assure security for Korea and if possible to prevent further communist aggression elsewhere. But there is a good deal of anxiety that even if a truce is negotiated, it may prove impossible to work out any long range settlement with the communists.

Understandably, therefore, the Government's attitude has been to take first things first. In some quarters perhaps, the eagerness to put a stop to the killing may have been misinterpreted as weakness because there was no initial insistence on obtaining desirable objectives in Korea, but if so, this is far off the mark. There is reason to believe that actual peace negotiations — once begun—will show no sign of timid compromise despite the thorny problems that must be settled. Similarly, there is every indication of full realization that there can be no enduring solution of these problems if we relax our efforts to make and keep the free world strong. This is not the time to take our ease. It is the time to be on guard, to be resolute, to go forward with our plans to build our strength and that of other free nations.

UNCLE SAM: "START TALKING—I CAN HEAR YOU"

Marcus in The N. Y. Times

Whenever the Kremlin moves, there is more than meets the eye, and the Russian proposal to bring the Korean fighting to an end is no exception. Hence there is much speculation whether the Kremlin may have decided on another reversal of tactics. Having suffered two serious setbacks—one on the Berlin blockade and another in Korea—they may well have concluded that a limited period of peace would serve them better than steadily increasing international tension with its attendant risk of all-out war.

By now, the Kremlin must realize that the fruits of their policies have been growing western rearmament and unification. That was hardly intended, for it has made it difficult if not impossible to extend communism by force of arms without becoming involved in a major war.

Thus it's by no means far-fetched to assume that the Soviet leaders may have decided to reverse their tactics in the expectation that a period of peace would lull the Western World to sleep again, perhaps in the hope also that peace may bring about an eventual collapse of capitalist economies as a result of overproduction and bitter rivalry between competing capitalist countries.

Wether or not the Russians are thinking along these lines, there are already signs of a let-down in the West. At the first mention of a cease-fire in Korea, two British Cabinet Ministers began making suggestions about relaxing the rearmament program. In Britain, the tendency toward relaxing the defense effort is encouraged by internal political factors but this makes the trend no less disturbing because of its possible repercussions on defense efforts elsewhere. As it is, wishful thinking, neutralism and similar attitudes may again flourish in the wake of a Korean truce and communist propaganda has already begun to encourage such trends, proof that there will be no let-up in communist efforts to exploit the West's weak spots wherever they may be found.

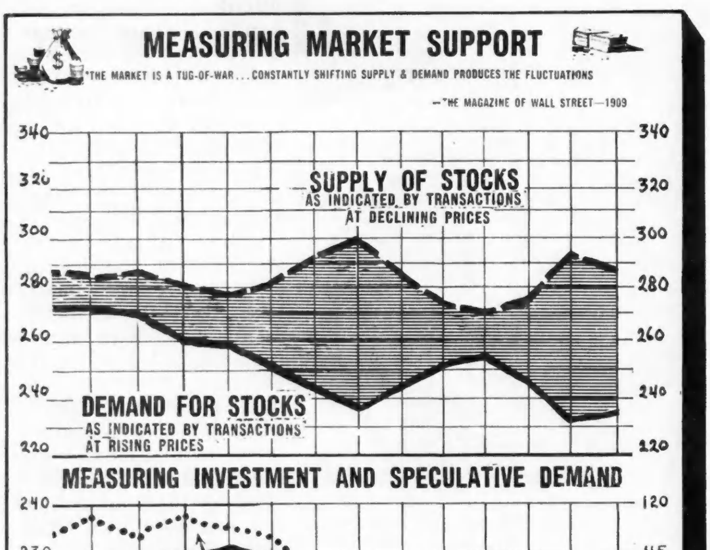
The situation calls for greatest vigilance. No one can sensibly believe that by changing its tune, the Kremlin has abandoned its fundamental quest for world political domination. That policy will continue despite occasional (*Please turn to page* 428)

Market Continues Vulnerable

The market's downtrend of recent months was extended on the Korean cease-fire news, after which a sizable technical rally developed. The near-term performance may well be unexciting either way. It remains our opinion that the 1951 lows in average stock prices have yet to be reached. There is no change in our conservative policy.

By A. T. MILLER

The recent market sell-off, climaxed by fairly heavy selling in the final trading week of June on initial news of the Korean cease-fire moves, has established the pattern of a "Dow-Theory" bear market, dating from the May 3 high of 263.13 in the industrial average and the rail average's February high of 90.08. From the May 3 high, the industrial average fell to 245.27 as of May 25, rallied to 254.03 as of June 15, then sagged to 242.64 on June 29. The confirmatory trend in rails was marked by an abortive April-May rally to 85.72, decline to a late May low of 76.86, a rally to 80.28 as of June 7 and a fall to 72.39 on June 29.



However unreliable "Dow-Theory" signals may be—and the record is nothing to shout about—this is indubitably a zig-zag downtrend pattern, the limits of which are conjectural. As stated before, we see no existing basis for a major deflation of stock prices—defining "major" as a bear market comparable with any of the three which investors remember since 1929. We are inclined to think in terms of a range of fluctuation more or less comparable in percentage price swings with that which prevailed for the better part of three years following the end of the 1942-1946 bull market and the start of the 1949-1951 rise. At the same time, however, it must be emphasized that the market is clearly on the defensive; and that in any debate on the potentialities, the burden of proof is necessarily on the bull side, for those who hold a bearish, or cautious, view are right so far.

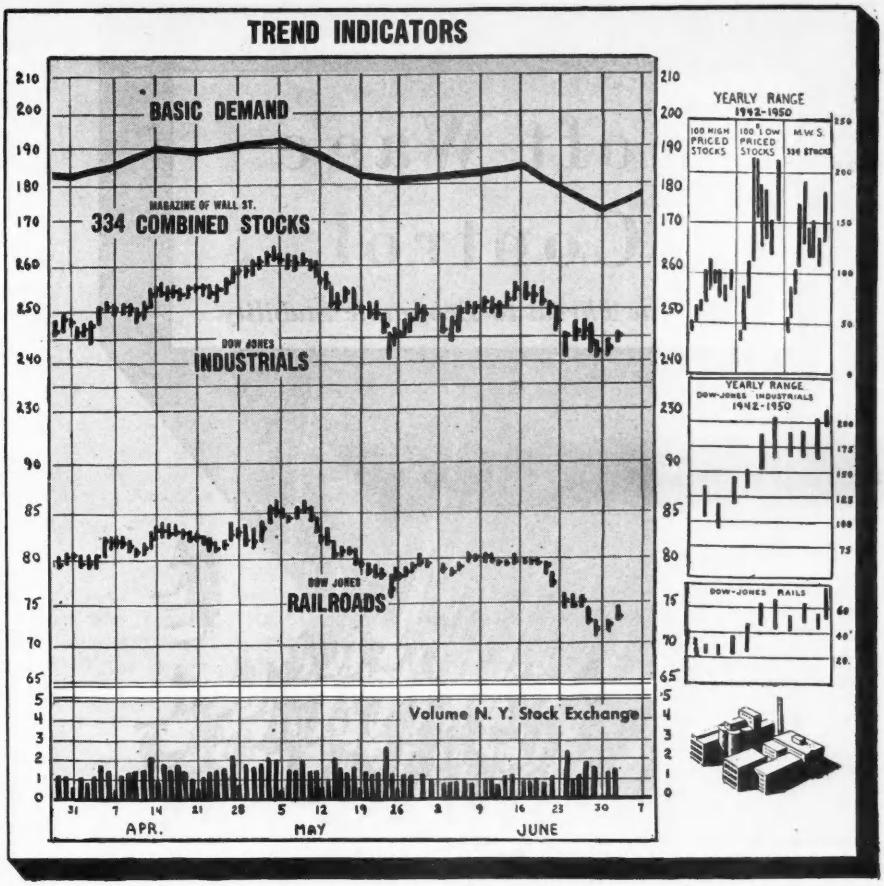
Rally Not Likely To Go Far

To reverse the pattern cited would take a zig-zag upward movement over a considerable period of time—a substantial rally, a decline halting short of the June 29 lows, and then a rise above the highs set on the first rally. The time required for that probably would stretch through the summer, taking us nearer the lowest quarterly level of corporate earnings for the year. The rally begun in the first July week cannot throw any light, other than possibly negative, on the trend outlook. At best, it must be figured as "just a rally". If it falters, without lifting the averages more than moderately above recent lows, a test of the latter will be faced in no great time and perhaps within a relatively short time. Regardless of the time factor, we doubt that the 1951 lows have been seen.

The rally in several days up to this writing has been fairly sharp, but on a low volume of trading. It was facilitated by the psychological absorption of the impact of the Korean cease-fire news and by the technical potential created by the concentrated decline of 13.39 points in the industrial average, and 7.89 points

in the rail average, in only two trading weeks, ended June 29. There is no basis for assuming that it is other than a technical rebound. If so, the fastest part of it, and probably the largest part, has already been seen as this is written.

It is always easy to expect too much too soon from the stock market, whether one is looking for advance or allowing for decline. If you will glance at a long-term chart you will see innumerable instances in which the market spends much time in indecisive fluctuation, reflecting uncertainty on one count or another and waiting for a more positive investment-speculative psychology to crystallize. These "trading ranges", some very narrow, some fairly broad, have had a total duration much greater than the time spent in sharp price swings. A phase like that, dull and unexciting, is the best contingency that we can see during much of the summer, and is conceivable if there is no new major shock in the foreign news.



The maximum May-June decline, in the initial discounting of prospective lower earnings, deflationary adjustments in civilian business and commodity prices, the implications of a cease-fire in Korea, etc., was quite substantial in typical industrial stocks and large in many speculative issues. It might be enough for a time. The current level of corporate earning power, although well under the best level of 1950, is not too alarming. In the aggregate, dividends remain around peak levels. Typical industrial dividend yields currently average more than 6%, and are more than double high-grade bond yields. There is some evidence to suggest that the fairly extended decline in the bond market may have ended, and is in process of being replaced by stability.

Although year-to-year trade comparisons will be unfavorable for at least some months to come, there is no longer any element of surprise or undue dismay in the slackened pace of civilian business, in the relatively sharp adjustment in the speculative commodity markets, and the more modest adjustment in the broad level of wholesale and retail prices. Even though inflation sentiment has cooled greatly, despite insistent Administration propaganda in behalf of controls on the theory of renewed pressures "later in the year", it is reasoned that the scheduled rise in defense spending at least precludes any significant deflation of production, employment and national income. And it is reasoned, further, that if there is any significant modification of the tempo and scope of the defense effort it will probably not be before some time in 1952.

It is agreed that the enemy is Russia; and that we are nowhere near the point of adequacy in arms supply or capacity for making arms. There will be no public or Congressional pressure for a let-down any time soon. If there is any appreciable revision of some arms-delivery schedules, on the basis of a truce in Korea, it will be because the Pentagon planners feel somewhat more free to alter designs. However, a mere cessation of active war in Korea would foot up to a cut of quite a few billions a year in military outlay; and it, therefore, has a bearing on the budget prospect for the current fiscal year.

The Administration has predicted a deficit of $10 billion for the year, on the basis of present taxes. Even if the spending estimate was right when made, the combination of higher taxes now in legislative process and the end of shooting in Korea can much more than halve the $10 billion figure. Moreover, it is probably an exaggeration anyway—as witness the fact that the President's January, 1951, estimate of budget results for the year ended June 30 was in error by about $6.2 billion. In short, the present budget prospect, especially on a cash basis, is nowhere near as inflationary, if inflationary at all, as all the official shouting might lead one to suppose.

On the restraining side for the market is the certainty of sharply lower corporate earnings, which will be emphasized by many of the second-quarter reports coming out in nearby weeks; and the great complex of foreign uncertainties, which is not at all clarified by Korean (*Please turn to page* 421)

Soft Wage . . Control . .

—*A New Threat to Economic Stability*

By E. A. KRAUSS

For various reasons, and not the least because of political considerations, wage control has been a difficult and controversial point in the post-Korean control pattern. From an over-all economic viewpoint, both the approach to wage control and its evolution has been hardly reassuring, for it distinctly points to a guided upward trend rather than stabilization. Unless halted, that of course means inflation, or at least inflationary pressures that must be born by some sector of the economy if not by all.

Latest peace overtures have by no means eased the situation. If a cease-fire comes in Korea and eventually results in a weakening of price controls, chances are that the unions will strongly resist any attempt of wage stabilization. They will say that in the absence of real price controls, there would be no valid reason for wage controls.

In that case, the fat will be in the fire. Not only would a strike wave be more likely than not, since unions couldn't count on easy pickings in peace-time bargaining, but there may well be a recurrence of what happened after World War II—that is a series of new strike-forced wage boosts, in turn forcing up industrial costs and the general price structure. Certainly we must expect the unions to step up their demands if Congress bans any roll-backs in prices and thus makes the cost-of-living a one-way road during the rest of the emergency period.

Having decided to tie wages to living costs and thus embark on a flexible wage policy, it is a foregone conclusion that the Wage Stabilization Board will soon lift the ceiling on wage boosts from the 10% figure set by Regulation 6. There is agreement that the "10%-since-January-1950" ceiling must be upped, particularly since that ceiling has already been breached in several important instances.

It was breached in the case of a million railroad workers; in the case of 220,000 meat packing house workers; and again in the case of 25,000 shipyard workers which got a 15% wage boost that eventually will apply to nearly 50,000. Additionally, permission for a productivity increase of four cents an hour has been granted to something like a million auto workers. Other industries have negotiated, or are negotiating, wage increases exceeding the 10% ceiling. And pending are some 3,500 applications for wage adjustments, each seeking an exemption from the 10% limitation on grounds of some special inequity.

Obviously a new wage formula is badly needed. But the formula now considered—tying wages to the cost of living—puts the burden of wage control squarely on price stabilization, and price stabilization is by no means 100% effective.

Thus there have been new threats that labor will again bolt the mobilization program, as it did once before, if Congress refuses to pass a strong control bill. Labor's attitude is that it cannot be expected to accept wage stabilization without effective price curbs. That sounds logical enough, but poses many difficulties particularly when it comes to stabilization of food prices tied as these are to the official parity concept.

The controversy right now is over how much of a wage hike. It has been proposed to raise the 10% ceiling to 13%, whereof 10½% would be a wage rate increase equal to the rise in retail prices since the base period (January 1950), while the additional 2½% would cover any other claims that might be made such as productivity increases, pensions and other fringe benefits.

Labor's Viewpoint

The public members of the Wage Stabilization Board seem to be willing to go along with this proposal, and even industry members, though somewhat reluctantly, might be willing to "buy" it, but labor would not, arguing that it's not enough. Labor maintains that because pension payments and such benefits are not added to wages, they are non-inflationary. Therefore they insist that the 2½% or whatever the figure may prove to be, must not include the pension-welfare "fringe" item group. Moreover, they say, the 2½% wouldn't be enough to cover the auto industry's "escalators."

It's quite possible, in the circumstances, that Stabilizer Johnston may have to give in to labor. If a rise of more than 13% is proposed by the Wage

Stabilization Board, with labor and public members outvoting the industry members, Mr. Johnston would find himself on the spot. He could upset the Board formula (labor is angling for a 15% ceiling) but in doing so he would run the risk of another labor walk-out from the Board.

The weakness in the present situation, in so far as early and rapid evolution of a new wage policy is concerned, is that there is an absence of the fervor that, for instance, followed Pearl Harbor. The all-out war aspect of that time favored the rapid formulation of policy by the then Wage Labor Board. Today there is haggling and procrastination. There is also lacking the no strike, no lock-out pledge that marked the advent of World War II. In fact there is strong sentiment in industry to submit no disputes whatever to the Wage Stabilization Board.

Labor protests wage stabilization without effective price controls, thus placing on Price Administrator Di Salle the burden of keeping wages in check.

Additionally there is the possibility that Congress in its debate on control powers under the Defense Production Act may even deprive the Board of its present limited authority to adjust disputes. It may even drop controls altogether. Until the latter point particularly is cleared up, a definite wage policy is not likely to be adopted.

Tough Price Ceilings, Soft Wage Controls

Present policy thinking, meanwhile, is along the lines of holding prices stable and wages flexible. In a sense, it's contradictory, because if wages go up, prices can hardly remain stable. With jobs plentiful and labor scarce, unions will press for all this formula will allow on living costs, productivity gain, pensions and the like. To cover at least part of the higher labor costs, prices will have to go up eventually despite efforts of the stabilizers to combine tough price ceilings with soft wage controls so as to keep inflation within bounds.

The least any such formula would produce is a severe squeeze on business profits but in the long run it probably would prove unworkable. In the past, wage raises have commonly been followed by increases in prices of goods—of the price level throughout industry generally, and there is no reason for hoping that the results would differ in this instance.

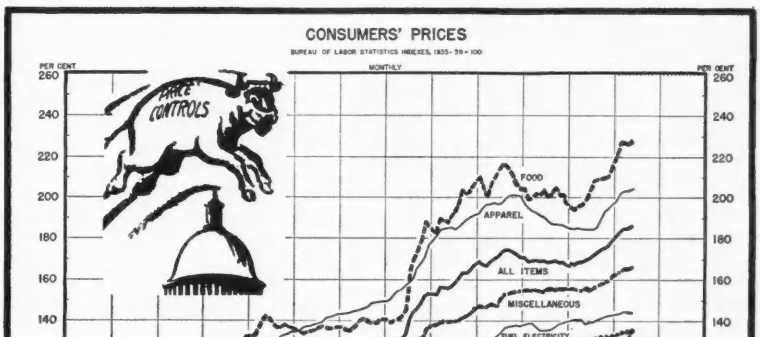
While spokesmen for labor strongly demand a check on inflation, a check on the rising cost of living, the fact remains that actions and tendencies of organized labor in the matter of wages simply tend toward more inflation. This because labor and agriculture jointly work some sort of an automatic mechanism making for a higher price level and the inflation that goes with it. This is how it works:

Labor gets a wage boost and sooner or later, this leads to higher prices of goods since it cannot be fully absorbed by the industry. The higher prices which farmers must pay for the goods they buy are used to determine the figure at which the Department of Agriculture supports the prices of farm products. If support prices are jacked up, living costs will rise; and higher living costs will promptly be cited by union leaders as justifying another wage hike.

Thus an upward wage-price spiral gets under way that—as long as present attitudes continue—is difficult to stop. It is doubtful whether it can be stopped without some sacrifice on the part of both, labor and agriculture. Though this is the key to the whole stabilization question, spokesmen for the farm bloc are stoutly opposing any action that would reduce the statutory advantages which farmers enjoy under the parity concept, and the Administration has been as meticulous not to antagonize the farmers as it has been willing to follow the main line laid down by labor leaders.

The Administration, in short, has been coddling both groups and therein lies the difficulty encountered in any attempt to stabilize prices and wages. The conclusion must be that the problem whether inflation is checked, as it currently seems to be, is closely related to the attitudes and actions of farmers and organized labor as groups, and the consideration for them by Government and politicians.

This, then, is the great dilemma encountered in stabilization efforts. These efforts are by no means rendered easier by the enormously increased importance of "escalator clauses" in union contracts allowing for changes in consumer prices. Such clauses now affect the size of pay envelope of over 2,700,000



workers concentrated chiefly in five major industries —railroads, automotive, electrical equipment, machinery and machine tools, and the building industry. But they also are found in many others of lesser importance.

While much can be said in favor of cost-of-living clauses, they undoubtedly encourage inflation by creating wage-price spirals. Moreover, they protect only a given sector of the population, leaving unprotected those with fixed incomes. Significantly also, cost-of-living adjustments have been found to be a one-way street, working only on the upswing. Historically, it has never worked on the downswing; hence such adjustments tend to perpetuate inflation in the price structure and frequently enough also ignore the wage paying capacity of individual industries.

A Firm Line Needed

The simple fact is that if there is to be wage stabilization, a line must be laid down and adhered to. Merely jacking up wage rates is not the way to tackle the job, yet that is exactly what the Wage Stabilization Board has been doing. It is important, also, that whatever wage ceiling is agreed upon, be coordinated with the tax and fiscal policies of the Government. A sixth round of wage increases would, if granted, add an estimated $10 billion to the annual payroll. This would be in addition to an expected increase of some $11 billion resulting from a rise in employment and longer working hours as the defense program gets fully under way.

So large an addition to consumer purchasing power could have a distinctly inflationary effect since a tax increase falling chiefly on the upper income groups—as contemplated in the pending tax bill—would fail to relieve the upward pressure on prices. That pressure may be overestimated by some, but it would nevertheless be felt. Hence a firm stand must be taken in the wage, price and tax fields but so far there has been a disturbing tendency to let things take their course. That course, if allowed to continue unchecked, could bring a drastic diminution in the standard of living and in the value we get for our defense dollar.

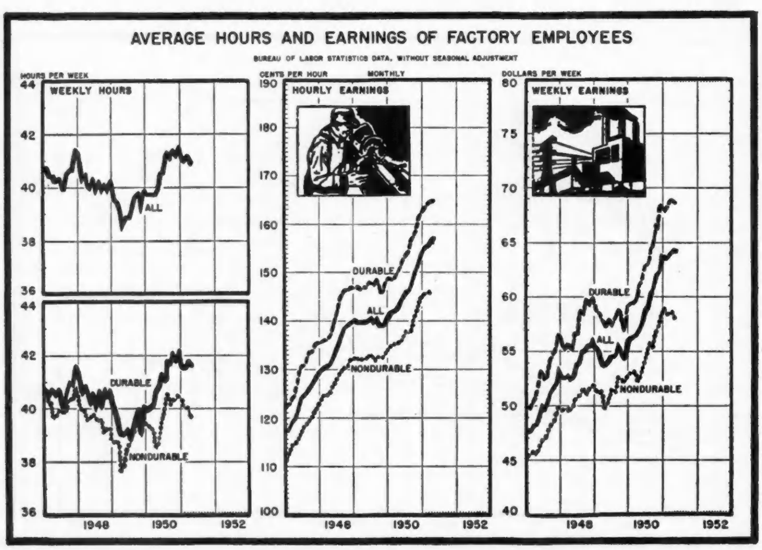
Official spokesmen keep telling us that the task of stabilizing wages is an integral part of the war against inflation conducted by such other means as taxation, credit control, savings programs and increased production. That is only too true but the way to stabilize wages is to do just that, not to keep hiking them. And wage stabilization requires effective price stabilization first, and the determination to hold the line on both.

Unless properly coordinated, any wage policy will turn out to be nothing but a form of appeasement, a concession to necessity that may prove tremendously costly to the whole economy. To take the "hard" course requires political courage and a desire of labor and agriculture to cooperate even at the cost of some sacrifice. By insisting on their "rights" and privileges, by ignoring other elements in the economy, these groups can hardly gain in the long run. What they will do is imperil our economy and the defense effort, and help bring about dangerous economic and social strains.

Right now the trend is in that direction despite the current lull in inflation. Regardless of how Stabilizer Johnston and the Wage Stabilization Board adjust their differences, the wage trend under the new policy is destined to be upward, with the speed of the upward movement depending largely on how Price Stabilizer Di Salle makes out with his price controls. If he is fairly successful in holding the price line, the upward trend of wages will be correspondingly gradual. If not, anything may happen.

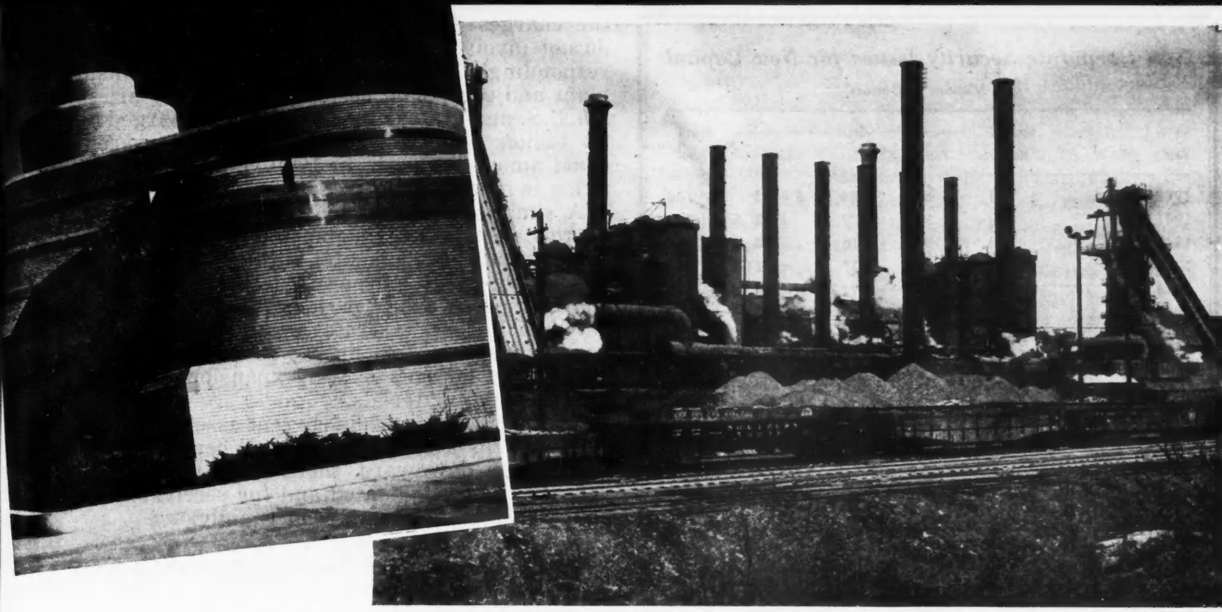
Everyone Has Vital Stake in Outcome

This is a prospect that has even Washington worried, for the Administration is fully aware of the torrent of new wage demands that threaten to engulf the Wage Stabilization Board. The wage-freeze dam has already been seriously punctured and threatens to crumble under the weight of new and higher wage agreements sought to replace expiring contracts. The consumer, the taxpayer, the businessman has a vital stake in the outcome—whether wage stabilization shall be loose or tight, whether inflation will be resumed or checked, whether wage controls will continue to be weakened by the controllers themselves.



Right now, living costs appear to have stabilized, offering an opportunity to take a tighter rein on wages. The Wage Stabilization Board should make the most of it. Aside from adjusting obvious inequities inherent in the wage freeze, it should turn thumbs down on any unjustified demands that would merely revive the deadly wage-price spirals of the post-war years.

Experience has taught us that wage and price controls, if rigidly adhered to, can accomplish one important thing that none of the other controls can accomplish. When production is being pressed to the utmost, when the labor force and plant capacity are being used to the limit, wage and price controls will prevent wages from pushing up prices and prices from pulling up wages. Coupled with effective taxation and restraints on lending, they can prevent stabilization from becoming merely suppressed inflation.



Can Liberal Dividends Continue

—IN THE WAKE OF RISING CAPITAL NEEDS?

By WARD GATES

Three trends in the financial markets that daily are becoming more pronounced and that may have important long-range effects upon security prices, are rising capital needs of business corporations, increasing sales of new stock, and more liberal dividend policies. The first two trends are evidenced by a wealth of tangible information and are closely related as cause-and-effect, since rising capital needs are the cause of increasing stock offerings. The less tangible relationship, though by far the more interesting and promising one to explore, is that existing between new stock financing and the possibilities of more liberal dividend payments.

While the capital needs of business have continued heavy ever since the end of the war, such requirements in most cases were met easily by the companies' retaining a major portion of their large postwar earnings. During the five years 1946-50, all U.S. corporations paid out an average of only 40% of their net income, the remainder being reinvested to finance the expansion and modernization of plant and equipment and to build up working capital. There was only a very limited amount of new stock offering, and a fairly substantial volume of borrowing on bonds and notes at cheap interest rates, but the major source of new funds was the retention of earnings.

What brought about an increased reliance upon stock financing this year was the fact that capital requirements rose so sharply as a result of the boom in civilian goods production set off by the Korean outbreak, the accumulation of inventories based upon overproduction and the anticipation of shortages later, and the rising level of commodity prices.

Outlays for expansion and modernization of plant and equipment this year will be much larger than previously estimated. As compared with $5.2 billion spent in the first quarter, it now appears that the second and third quarters will each amount to around $6.4 billion. This will mean a total of $18 billion for the first nine months, or an annual rate of $24 billion for the full year 1951. It represents a new high for all time, comparing with $18.6 billion in 1950, a previous peak of $19.2 billion in 1948, an average of $5 billion in the prewar years 1935-39, and an average of $9 billion in the active 1920s.

Inventory accumulation and higher prices likewise have absorbed substantial capital. During the year 1950, the inventories carried by all U.S. manufacturing corporations increased $5 billion to a total of $31 billion, and monthly statistics available for the manufacturing industries as a whole, corporate and unincorporated, indicate continued increases.

Other Factors Tying Up Capital

A large gain in the dollar volume of sales has been translated into a corresponding increase in the accounts and notes receivable, thus tying up still more capital. An additional factor in swelling the outstanding receivables is the fact that customers are slowing down somewhat in their payments. Latest surveys of the credit situation show that fewer customers are discounting their bills by paying in advance, while more are merely paying on the due dates according to terms. Past-due accounts, however, remain only a small percentage of the total, and commercial failures are still holding well below their long-term average.

Another factor in the recent drain upon corporate cash is the large increase in payments of Federal taxes. This is due to the expansion in earnings sub-

New Corporate Security Issues for New Capital

(In Millions of Dollars)

Year	Bonds & Notes	Stocks — Pref.	Stocks — Com.	Stocks — Total	Grand Total
1940	$ 601	$ 61	$ 74	$ 135	$ 736
1941	889	94	79	173	1,062
1942	506	103	16	118	624
1943	282	55	37	92	374
1944	422	133	91	224	646
1945	607	430	226	657	1,264
1946	2,084	742	730	1,472	3,556
1947	3,567	599	623	1,219	4,787
1948	5,269	434	477	908	6,177
1949	4,125	367	605	971	5,095
1950	3,199	566	640	1,197	4,395
1951 (4 mo.)	1,598	111	354	465	2,063

Source: Commercial & Financial Chronicle.

ject to tax, the rise in rates of normal tax and surtax, the imposition of the excess profits tax, and the acceleration of tax payments proscribed by the Revenue Act of 1950. Instead of such taxes being payable in four equal quarterly instalments, as heretofore, the March and June 1951 payments have taken care of 60% of the total 1950 liability, leaving only 40% payable in the second half of 1951.

These various influences making for a tight cash situation are offset in some spots by influences which increase the supply of cash available. One source is the charges for depreciation and depletion, which do not involve cash outlays and have increased correspondingly with the great postwar expansion of plant and equipment costs on which they are based. All U.S. manufacturing corporations charged almost $4 billion for such purpose, and "recovered" an equal amount of cash, in 1950. This was more than twice as much as ten years before.

A similar and even quicker recovery of funds is in the special 5-year amortization of war plants upon proper governmental authorization, instead of the write-down through ordinary depreciation charges spread over a period of 20 or 25 years. Present high Federal tax rates make such plant outlays very attractive to business; so attractive, in fact, that there is danger of over-expansion and excessive use of scarce materials.

Absorption of funds in current assets is, of course, by no means a one-way street. Whenever sales and prices turn downward, there is a tendency for inventories to be liquidated and for receivables to run down, thereby releasing cash rapidly.

Industry's Financial Condition Generally Good

The financial condition of industry as a whole is unusually strong and liquid. During the period 1940-50, including five war years and five postwar years, the capital and surplus was built up from $44 to $83 billion. Net working capital was almost trebled, from $17 to $45 billion. Bond and mortgage debt, although increased from $5 to $11 billion, represented only 9% of total assets on each date.

Because as composite figures always conceal wide

New Securities Offerings Recently Undertaken, Contemplated or Close To Consummation

COMPANY	NEW SECURITIES (Millions)		USE OF PROCEEDS	Net Per Share 1st Quar. 1951	Net Per Share Full 1950	Div. Per Share 1950
Allied Stores	$15.0	20 year 3½% notes	Working capital	$ .57[1]	$6.69	$3.00
American Natural Gas	9.0	common stock	Financing additions & improvements	1.38	2.45	1.60[10]
Armour & Co.	12.0	20 year 3% mtge. bonds	Construction	.49[2]	3.94[3]	.....
Beaunit Mills	15.0	3½% long term notes	Construction and new working capital	.....	6.42[4]	2.00[10]
	5.0	preferred				
Brown Shoe	11.0	20 year debentures	One-third refunding, rest working capital	3.22[5]	8.08[3]	2.80
Carrier Corp.	4.1	common stock	Working capital	2.44[5]	4.54[3]	1.00
Certainteed Products	3.0	15 year 3% notes	Construction	.82	3.92	1.50
Colgate Palmolive Peet	25.0	20 year 3% notes	General corporate purposes	2.04	7.66	3.00
Dewey & Almy Chemical	4.4	common stock	$3.3 working capital, rest refunding	.58	3.03	.77
Fruehauf Trailer	2.9	common stock	Working capital	1.57	5.59	2.00[8]
General Foods	35.0	25 year debentures	New working capital	.....	4.58[4]	2.45
Hussman Refrigerator	2.3	4% preferred	Working capital	1.19	4.85	2.00
Int'l Business Machines	50.0	20 year 3½% notes	Expansion, working capital	2.49	11.48	4.00[8]
Lilly-Tulip Cup	7.0	20 year 3¾% notes	Expansion & retirement of obligations	2.15	8.87	2.07[8]
	4.0	common stock				
Minn. Honeywell Reg.	16.0	convert. preferred	Construction, new working capital	1.23	4.78	2.48
Mission Corp.	12.0	3¾% debentures	Repay bank loans	.25	1.50	[9]
National Dairy Products	30.0	25 year 3⅛ debentures	New working capital	.....	5.15	2.80
National Tea	12.0	convert. preferred	Half refunding, half working capital	.63	3.31	1.60
Panhandle East. Pipe Line	20.0	3¼% debentures	Construction & other corporate purposes	.78	2.66	2.00
Pfizer, (Chas.) & Co.	27.0	preferred & common	Expansion, new working capital	.76	2.20	.91
Pittsburgh Plate Glass	15.0	common stock	Working capital & general corporate purposes	1.19	4.64	2.50
Rheem Mfg.	15.0	long term notes	$5.7 for new working capital, rest for refunding,, expansion	1.65	4.75	2.40[10]
	10.0	preferred				
Squibb (E. R.) & Sons	15.0	common stock	Expansion, working capital	1.95[7]	2.23[6]	.77
Sutherland Paper	5.5	3½% long term notes	Refunding and new working capital	1.10	3.83	1.25
	3.4	preferred stock				
Victor Chemical	9.0	3% notes	Expansion	.30	2.23	1.12
	5.0	4% preferred stock				
Yale & Towne Mfg.	3.8	common stock	Retire bank loans and to acquire machinery & equipment	1.86	5.30	2.00[10]

1—Quarter ended April 30, 1951.
2—13 weeks ended April 28, 1951.
3—Year ended Oct. 31, 1950.
4—Year ended March 31, 1951.
5—6 months ended April 30, 1951.
6—Year ended June 30, 1950.
7—9 months ended March 31, 1951.
8—Plus stock.
9—1 share of Mission Development for each 2 shares of Mission Corp. stock held.
10—1951 rate.

variations it is not surprising, despite this excellent condition shown by industry as a whole, that many individual companies should be out of line and therefore act to raise money by selling securities. Such cases often reflect faster than average growth, including expansion through the purchase of other companies. Common stock offerings to raise new capital have this year been running at a rate of over $1 billion annually, which is substantially higher than in any recent years as may be seen from table II. It is the highest, in fact, since the late 1920s.

While the published registration statements set forth in great detail the terms of new security offerings, they do not reveal what considerations were uppermost in the minds of the respective corporation managements in deciding upon each particular issue. It is a safe assumption, however, that the increase in stock offerings as compared with bonds and notes was primarily for the purpose of maintaining a comparatively low ratio of debt to equity capital.

Common stock, or even preferred stock, does not involve the same fixed charges as borrowings. In the event of a depression, which today seems very unlikely but nevertheless cannot be ruled out entirely, the dividend on stock can be reduced, or even omitted, without danger of the company being thrown into reorganization. Some stock offerings, it is understood, are for paying off bank loans built up during the year since Korea. Many businessmen who went through the depression of the 1930s are determined to avoid, if possible, ever again having their business taken over by their bankers to liquidate frozen loans.

For these and other reasons, the stock financing decided upon by many companies is undoubtedly in the public interest as well as in the interest of their own shareholders. This is particularly true of companies engaged in the various manufacturing industries, whose sales and earnings are subject to far wider fluctuations than the business of the railroads and utilities, and which therefore are less justified in having large outstanding debt and fixed charges. While debt financing is cheaper than stock, in that the interest paid is currently quite low and also an allowable deduction from earnings for tax purposes whereas the dividend is not, the indebtedness always involves more or less risk.

There is every indication that there will be a substantial increase in the sale of new corporate securities this year, including common stock—for reasons already cited. And where the sale of common stock is contemplated, this is bound to have a certain bearing on dividend policy. Intention to sell new stock usually makes for a more liberal dividend policy so as to facilitate the sale of stock to the public at a desirable price. It is from this standpoint that the clamor for new equity capital may also be of significance to security prices.

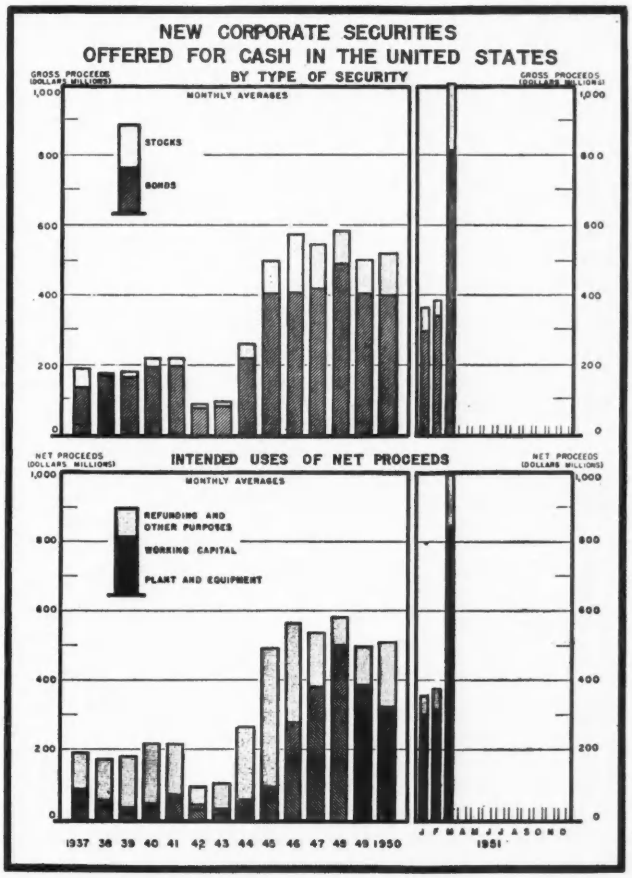
Dividend policy of course is difficult to forecast—sometimes even by a company's management itself since it depends on so many factors that are constantly changing. But at the same time, it would not seem unlikely or impossible if some dividends were raised to make a company's stock more attractive to potential investors. In cases where the pay-out has been low right along, raising the dividend may be quite feasible even if overall earnings should decline.

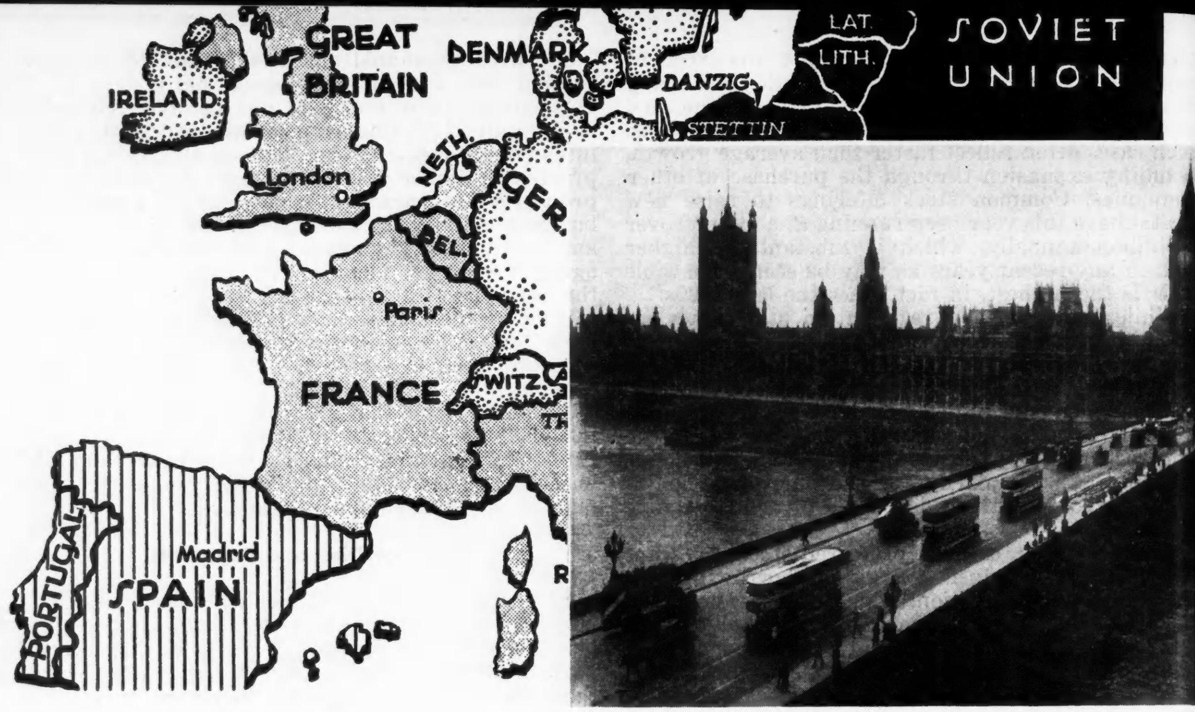
As already pointed out at the start of this discussion, only 40% of the postwar net income of all U.S. corporations was paid out in dividends, with 60% retained for financing growth and the inflation in corporate cost-of-living. This contrasts with the practice in earlier years of paying out a much larger proportion of earnings in periods of comparable business activity. In the five years 1925-29, for example, dividend payments by all corporations averaged 68% of net income. The latter approximates the figure two-thirds, that has been cited from time to time by the managements of General Motors and other companies as approximately the share of earnings they feel, as a general policy, that they should pay out.

It will be noted that some of the companies listed in our table are really niggardly in their dividend rates, and that practically all could raise their disbursements moderately and still leave a comfortable margin of net earnings coverage.

Trend of Dividend Payments

So far this year, the trend in dividend payments is upward both in the dollar totals and in the number of dividend changes. A recently published comparison of the publicly reported declarations shows that whereas 344 companies increased their dividends in the first six months of 1950 while 306 increased their payments in the same period of 1951. There were 181 initial dividends declared last year and 199 this year; the (*Please turn to page* 421)





★ ★ ★

A Lower Dollar for EUROPE?

By V. L. HOROTH

Currency upvaluation and devaluation rumors are always hot news. Often they are started just to give an advantage to speculators and foreign exchange dealers. The rumors that were going the rounds last fall are still fresh in memory. The pound sterling, the Australian pound, the Mexican peso, the Uraguayan peso, the Swedish krona, and even the Belgian franc were at ane time or other candidates for an "early" upvaluation in terms of the dollar.

Actually nothing happened outside of the fact that the Canadian dollar was unpegged to seek its own level. About two months ago, a second wave of currency upvaluation rumors began cropping up, and although the arguments advanced in support of revaluation lacked the persuasivness of those of last fall, they have nevertheless been worrying importers and dealers who have large commitments to cover, especially in the sterling area countries.

There are good reasons why the upvaluation rumors have been less convincing this time. Last fall, those people who persuaded themselves, for example, that the Mexican peso was to be about upvalued, could point to the flight of capital from here to Mexico, to or heavy gold losses and to our generally weakened international payments position as contrasted with that of Canada, Australia, Uruguay, Belgium and even Great Britain.

No such arguments can be advanced today. The outflow of gold has ceased, at least temporarily. The capital that went abroad is returning in driblets. Our international payment position despite heav payments for imports and large foreign aid is holdin its own. Moreover, most of the currencies that ar supposedly to be revalued are still traded at discount from their official parities. In fact, some people ar talking about a return of the dollar shortage problem in the coming months.

What is then the currency appreciation talk base upon this time? Briefly, it is based on the argument that Great Britain, Sweden, Denmark, the Netherlands, and other European countries *ought to* upvalue their currencies in order (1) to bolster up thei international payments by paying less for their im ports and getting more for their exports; (2) to chec the inflationary spiral by marking down the prices o imported goods and foodstuffs. If, for example, th pound sterling is upvalued, the argument goes, cotto imported from the United States will cost less i pound sterling; on the other hand the British wi get more dollars for their whiskey, provided, o course, the Americans are willing to buy at the higher price.

Currency Manipulation

In short, what is proposed is a "currency manipu lation of convenience," on the grounds exactly oppo site to those that led to the wholesale currency de valuation of September 1949. At that time, as wi be remembered, the argument was that Great Britai and other European countries *must* devalue (1) t improve their international payments position b raising the price of imports (to spend less for them and by lowering the price of exports (to compe more effectively with the United States in world mar kets); and (2) to check the deflationary effect of th then declining prices of raw material prices on th primary producing countries, and the overseas ste ling area in particular.

In recent weeks, the matter of European curren appreciation has in fact ceased to be "hot" insofa as the news is concerned. It has tended to becom more and more a learned controversy as to wheth

the removal of foreign exchange restrictions should take precedence over currency appreciation or vice versa. The Economic Commission for Europe (ECE), a united Nations body in which several Iron Curtain countries are represented and which sits in Geneva, as well as some British economists who concur with a semi-managed, planned economy under Labor's rule, champion the idea of "currency management to meet a particular situation."

In vehement opposition to this principle are the International Monetary Fund (IMF), the Bank for International Settlements (BIS), the Organization for European Economic Cooperation (OEEC), the high U.S. Treasury officials, and most of the economists in this country, who maintain that a currency liberalization should take precedence over currency appreciation. Official circles abroad have in general kept mum on the whole controversy. Some of the British officials, however, went out of their way to protest that the proposal of currency appreciation should not be interpreted as a scheme to get more dollars, but as a serious project to strengthen the international payments position of the respective countries.

Problem of British Export and Import Prices

The idea of resorting to the upvaluation of the pound as means of relieving the strain on Britain's international payments was advanced last spring by a number of economists. "What justification is there", wrote the London Banker last April, "for Britain to export now seven motor cars to Australia in exchange for one ton of wool, when little more than a year ago, the ratio was three cars for one ton". It is difficult to contradict this statement. At the end of May 1951, the prices paid by Great Britain for her imports were some 42% higher than the 1950 average while the prices received for her exports advanced but 18%.

In economic parlance, Britain's "terms of trade", i.e. the ratio of prices received for exports to prices paid for imports, deteriorated by some 15%. Or, as the economists of the ECE put it, the extra cost in 1951 to Great Britain of buying the same volume of imports as in 1950 will be about £700 million, while the rise in the price of exports would bring only 250 of extra money. Including the new defense program, the extra cost of maintaining British imports at the 1950 level this year would be close to £900 million of which £150 million would be the cost of the stockpiling program alone. As a matter of fact, Britain's trade deficit on the basis of the first five months of 1951 is running at an annual rate of about £1,000 million as against the actual trade deficit in 1950 of £347 million.

Clearly the deterioration of "the terms of trade" has put the British on a difficult spot. The increase in import costs is bringing about a rise in the cost of living which in turn will probably lead to a second round of wage increases. Price subsidizing at this point would be inflationary unless it is offset by an increase in taxation on the working classes—political suicide for the Labor Party. As for export prices, they have been kept down indirectly through subsidies, and the British are now awakening to the fact they are "wasting national capital by exporting goods at less than their replacement value".

Under the circumstances, as many British economists see it, the upvaluation of the pound sterling would be a godsend: the exports would bring more foreign exchange, and the sterling prices of imports would go down. This, of course, is on the supposition that if Australia and other overseas sterling area countries devalue their currencies in line with sterling, they will have to lower the sterling prices of their export products (wool, tin, rubber, cocoa, etc.) to keep them in line with world market levels.

What's Wrong With The Upvaluation Argument

In evaluating these opposing points of view, a consideration is that the strain on the British balance of payments may be less than indicated by the 1951 trade gap. It is true that the British consumer may have to pay more for rubber and tin and many other products but, on the other hand, British companies with investments in Malaya, Australia, Rhodesia, and other places, should increase materially their earnings (see the attached table of the British Balance of Current Transactions). Shipping income likewise will be much larger with charter rates almost twice as high as last year.

In general, the income from invisible items is expected to reduce the trade deficit to less than £500 million, and a part of this amount unquestionably will be covered by grants from the United States. The considerable drop in the prices of rubber, tin, vegetable oils, and wool may already have afforded some relief. On the other hand, the prices of the major commodities supplied by the dollar area, tobacco, grain, timber, newsprint, and coal, with the possible exception of (*Please turn to page* 421)

Great Britain: Balance of Current Transactions

(in millions of pound sterling)

	1947	1948	1949	1950	Estim. 1951
"VISIBLE" TRADE:					
Imports	1,560	1,790	1,971	2,374	3,750
Exports	1,135	1,583	1,818	2,221	2,800
Excess Imp. (—) Exp. (+)	—425	—207	—153	—153	—950
"INVISIBLE" TRANSACTIONS (net)					
Government transactions	—230	— 87	—140	—137	—150
Interest, profits, etc.	+ 80	+ 77	+ 87	+122	+190
Shipping	+ 33	+ 76	+ 83	+111	+180
Travel & emigrants	—101	— 77	— 56	— 29	— 20
Other items	+ 98	+188	+209	+315	+300
Excess (—) Surplus (+)	—120	+177	+183	+382	—500
Balance of Current Transactions	—545	— 30	+ 30	+229	—450
How it was settled: (Receipts (+) Lending by UK (—)					
ECA & other Grants	+ 30	+138	+154	+139	
Dollar Borrowing	+786	+ 52	+101	+ 89	
Increasing Ster. Area balance	......	......	+ 17	+224	
Drawing on dollar assets	+152	+ 54	+ 3	......	
Total	+968	+244	+275	+452	
Repaying Sterling Area Balance	—120	—164	......	......	
Repaying other Balances	—303	— 50	—305	—105	
Building up Dollar Assets	......	......	......	—576	
Total	—423	—214	—305	—681	
Balance	+545	+ 30	— 30	—229	

Sources: IBS Report, London Banker, etc.

Happening in Washington

PEACE WORRIES

By E. K. T.

DEFENSE preparations couldn't be brought to instant halt in the event present or early future negotiations bring on an assured peace, and that recognized fact is adding furrows to the brows of the mobilizers. How rapidly to brake the forward movement is one involving not only the matter of national security but also the collateral problems of release from controls, reconversion, no small amount of contract renegotiation, reshuffling of manpower, and whether a stop order should be entered to cancel quick amortization contracts on construction in its initial stages. Economic balance depends largely on the skill with which reconversion is planned and executed. Meanwhile, there's "peace jitters" here.

WASHINGTON SEES:

Government by "continuing resolution" is back in Washington for the second consecutive year and congress has placed itself under a mandate to accomplish this month what it failed to achieve in the past six, namely, the production of appropriations bills for all federal functions.

Last year, congressional leaders for the most part laid failure to legislate the money bills before the end of the fiscal year (June 30) to the omnibus bill which sent all appropriations to the floor in a single package. This year, there was no omnibus; likewise there was no action. The continuing resolution assures the departments and agencies of operating funds for the month of July, but it affords no hint as to what will be forthcoming thereafter. Result is that planning, fiscal and otherwise, is held back for a month; many bureaus don't know whether to reduce staffs as Capitol Hill talk appears to demand, or enlarge them, as the necessities of the defense program seem to require. Procurement for "housekeeping" purposes, as distinguished from military, goes by the boards for 31 days—if congress takes the full limit of time set out in the continuing resolution.

The lawmakers will find difficulty latching blame onto situations beyond their own control. The White House loaded congress with proposed laws —about 50 to be exact—but the senate and house completed action on only nine. That record makes the 80th "do nothing congress" look good by comparison. Attendance at meetings of both houses has been especially light during this session, newsmen have observed. That could be the root of the problem.

CONGRESS, having declared that merchant ships sold by the government to private interests and now being re-purchased or leased for public use shall be priced at fair rather than inflated values, is expected to move on and make the same policy applicable to all surplus property. The ship owners are expected to wage legal battle and they seem to have at least the argument of "retroactive legislation" on their side. But when the General Accounting Office determines that the asking price is unconscionable and fixes a lower amount, shipping companies going into court to enforce their contract rights may find the government switching to condemnation on a "fair price" basis.

SPECIAL elections this month are expected to add two congressional widows to the House membership —Mrs. John Kee in West Virginia, Mrs. Frank Buchanan in Pennsylvania. Neither has been active in the business of government and each is campaigning frankly on her husband's record. Since both ladies are running in districts which elected their husbands by more than 2-to-1 majority last year, drastic reversal of political form would be needed to defeat them. While this prospect may hint a policy of considering public office a legacy to be handed on, the fact in the last two special House elections the mother of one, the widow of another congressman went down to defeat at the polls.

DEPARTURE from Washington of Marriner Eccles invites review of the changed fiscal policies which have come about during his 18 years on the Capital scene. Whether attributable to the former Federal Reserve System chairman or not, it is interesting to note that the principles he espoused, though once suspect, are now generally accepted.

As We Go To Press

Regional conferences of mayors and city managers are planned in protest against congressional action which all but obliterated the Civil Defense program by denying it funds over and above simple headquarters housekeeping. The meetings will not change the financial picture, will provide the local administrators an "out", an explanation as to why they were not prepared. But the unfavorable outlook will not slow down local demands: a picture of defense needs will be drafted with overtones of astronomical cost. The argument won't all be on one side. A Maryland state legislator has introduced a bill to deny appropriations for civilian defense and his bill states in un-parliamentary terms, "Stalin isn't the big wolf about to devour us!"

The date of enumeration, April 1, 1950, has been ruled to be the "effective date" of the 1950 decennial census. That's a state decision -- Michigan -- but lawyers believe it will be followed elsewhere. Offhand it would seem to make little difference; actually it could mean millions to cities and towns. The federal census is the basis on which states redistribute, on a per capita basis, taxes collected statewide. Shifts in population among cities within a state have been enormous during the war decade and many taxpayers will find the manpower movement reflected in their new tax bills; revenues counted upon from the states will not be forth coming. The contrary, of course, will be equally true for the boom towns.

Quickest back-away from a declared position in many years is the retreat by Price Administrator Michael V. DiSalle from the idea of licensing all American business to insure against violation of ceilings. DiSalle hurried to congressional committees to record his assurance that the nightmarish "police" state notion was farthest from his mind. The proposal was to give each business firm or individual a license revocable for OPA violation. Says Di Salle: the thought was miscontsrued; it was just a weapon planned for use on persistent violators. He won't get the law anyway!

Di Salle is beginning to get a true appreciation of what General Hugh Johnson said in the NRA days with respect to the job of attempting to overrule the laws of supply and demand by government ukase. Said General Johnson: "You'll spend your days and nights ducking 'dead cats'." The "cats" are beginning to fly in the direction of the roly-poly former Mayor of Toledo and labor lawyer. He was accused in congress of ignoring the mandate that price regulations take into consideration the terms of existing contracts for future delivery. Di Salle seems to have made out a good case in rebuttal.

Interesting to keep in mind is doing business on a future delivery basis is the fact that the Defense Mobilization Act doesn't spell out the details and favorable administrative rulings are obtainable. To date, OPS has issued 12 regulations which permitted pre-existing contracts for future delivery of materials to be carried out at contract prices higher than the ceiling price established. In addition, OPS has issued five regulations which contain provisions for adjusting upward the ceiling prices established in the regulations based on contracts. And in other instances, provision has been made to relieve a manufacturer who would be required to operate at a loss if he observes a ceiling price. The situation, upon close examination, is not nearly as rigid as generally supposed.

Wages and salaries will have separate meanings when the control methods get better organized. The Wage Stabilization Board has been in operation for months, but the Salary Stabilization Division is just forming for action. Basic approaches differ, largely by reason of the fact that wages generally are controlled by contracts involving large groups; salaries usually are set in individual bargaining or, in the case of large firms, by action of boards of governors. The salary division is expected to have far greater

elasticity than the wage section. That, it itself, is likely to give the administrators difficulty, subject them to the charge of favoritism especially where the higher levels of corporate compensation are involved.

General MacArthur's refusal to return to Washington to re-hash, debate, testimony that has been entered into the records since his first appearance was a refreshing act. It may be cynical, but probably wouldn't be denied by any member of the joint hearing committee that neither the Mac Arthur testimony nor any of that which followed changed a single mind: committeemen went into the initial session convinced the general was fired for cause, or otherwise. None has suggested the abrupt manner of the act was justifiable in view of MacArthur's record; none has murmured a suggestion that President Truman was not within his rights. The protracted hearings have done little more than emphasize prejudices on both sides and the general is credited with response to patriotic sentiment in his refusal to drive the wedge deeper into a partisan fight.

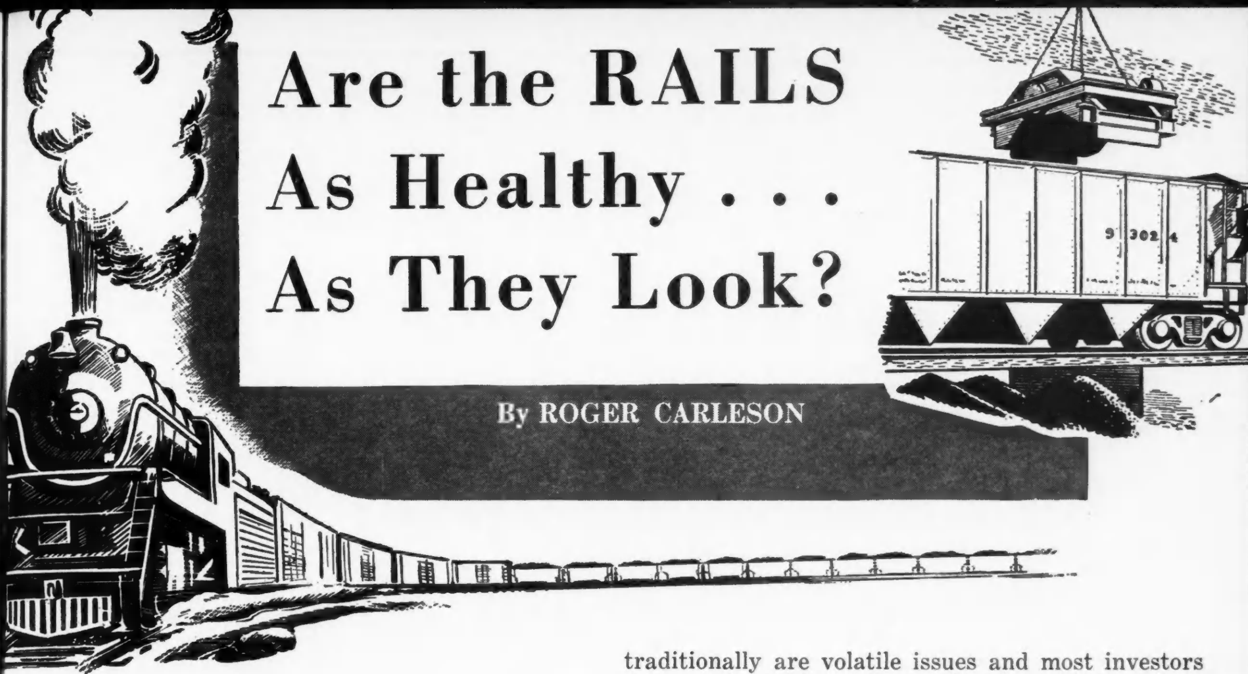
As the Supreme Court once was suspected of doing, congress is "reading the election results: - - the elections abroad. And that perusal could very well have effect upon the solons' actions on pending money bills for the aid of "friendly countries" overseas. The aid program was created to bolster resistance of the allies against communism. It was not a case of pure charity; it was approved by congress on the cold, hard fact that it constituted an insurance policy aimed at national survival. The congressmen are casting a fishy eye at the results as they move toward action on new bills which go beyond aid to allies, and sweep over the entire "under-privileged world." They're asking pointed questions.

Two recent elections have helped mould Capitol Hill analyses. In both - Italy and France - the value of the aid program as a deterrent to Red influence appears to have been overrated. In Italy the communists appeared to be as strong at the polls as ever, gauged by the popular vote their candidates amassed. In France, the Reds polled more popular votes than any other party and their failure to gain control can be credited to De Gaulle's inviting program, certainly not to the Marshall Plan, even the State Department agrees.

Congress isn't going to be too tough on wage and salary raises; in fact already is showing a disposition to look the other way as ceilings are punctured and pay envelopes fatten. The reason is simple: the solons are after more money for themselves and while many of them don't object to the general charge of inconsistency, they don't want to aid in pinpointing the complaint. Likely action will be a vote by the membership to boost salaries to $25,000 and forget the fiction of a $2,500 tax-free expense item which now is added to the flat $12.500 salary.

Somewhat amusing is the fact that the issue arises in connection with hearings on a bill to write a code of ethical behavior for public officials and the inference is not far-fetched that a congressman who is better fed, housed and clothed would be free of the vices that plague lesser men. And a sidelight with comic overtone is the fact that labor organizations have been rushing into print with demands upon congressmen that they vote themselves higher pay. Reason for that is not exactly obvious, nor is it very far under the surface: the unioneers would like the lawmakers to be the pace setters in the race to higher pay all around.

The government of the District of Columbia is conducted by congress sitting as a glorified board of aldermen, and both congress and the District are getting sick of it. One senator with a bent for statistics, has figured it out that the upper house spent 1,000 working hours this year on such local subjects as weed control, elimination of the starlings, and rockfish breeding - while revenue bills and other domestic and foreign problems of magnitude reposed on the desks. Since congress votes a large share of the municipal budget (in lieu of the vast tracts of land and huge buildings it takes from the tax list), a degree of control follows the appropriated dollar. But serious consideration is being given restoring these 1,000-and-more hours to the transaction of federal business and the idea is expected to prevail.



Are the RAILS As Healthy . . . As They Look?

By ROGER CARLESON

What effect on railroad traffic would a Korean armistice have? This is an important question for holders of railroad securities to ponder at this time. Those interested in the market for carrier stocks also must answer the question as to the extent to which the market has discounted a cessation of hostilities. Investors have recognized the necessity for taking into consideration the possibility of a cease-fire order in the Far East for several months. Ever since General MacArthur proposed a truce to negotiate a settlement in the field, the market has been alert to the threat of a slackening in movement of war material to the Korean front.

It seems appropriate, therefore, to review the transportation industry's progress this year and to appraise prospects for the second half at this important juncture. From the substantial retreat of leading railroad shares, it is apparent that the market has gone a long way toward discounting peace in Korea and even a significant cutback in our armament program. Whether or not the full impact of recent events has been taken into account, therefore, depends upon the extent to which the Washington Administration decides to trim defense preparations. All indications thus far point to maintenance of a high rate of industrial output to build up our armed forces and to supply essential materials to Western Europe. In the event of peace, the market must take into account, however, strong pressure of public opinion to reduce military expenditures so that tax burdens may be eased.

Unless fairly substantial cutbacks in armament orders and in construction of additional industrial plants are to be ordered, it would seem likely that the decline in railroad stocks has been almost sufficient. More time will be needed, though, to shed light on developments in Washington. Rail shares have enjoyed one of their rare periods of extreme popularity and many holders have fancy profits. They may be tempted to cash in capital gains even though government authorities should pledge continuance of the armament program. Railroad stocks traditionally are volatile issues and most investors are accustomed to see them sell at low price-earnings ratios as well as at prices affording a generous yield. Many popular stocks in this group have been selling recently at levels not exceptionally low in relation either to prospective 1951 earnings or indicated dividends.

In the current reappraisal of railroad prospects, the same pattern will be followed as adopted in our previous survey in February. Basic fundamentals will be discussed in a general roundup, while the remainder of the article will be devoted to a detailed examination of several specific examples. As a guide to consideration of individual securities, a detailed compilation is presented summarising latest available statistics for most Class I carriers and incorporating brief comments on traffic trends, earnings and dividends as well as management policies that may be of interest.

High Leverage in Railroads

Although it may seem trite to remark in any discussion of railroads that the business is susceptible to rapid and wide variations, nevertheless it is important to keep this characteristic in mind. Many investors are apt to compare railroad earning power with that of industrial companies without realizing that railroads are unable to attain control over expenses to the extent that manufacturing plants can. Fixed operating costs consisting of investment in plant and equipment, real estate taxes, wages for required personnel and many other charges are particularly rigid in the case of railroads. Yet, once these irreducible costs are met, expenses rise slowly and a high proportion of revenues can be brought down to net income. This phenomenon explains the fact that railroads benefit handsomely from business booms which permit full utilization of facilities.

Railroads have experienced a successful first half of 1950. Comparisons with last year are favorable in almost all cases, for the armament program had not come into being a year ago. Net income in the first quarter for Class I roads scored substantial

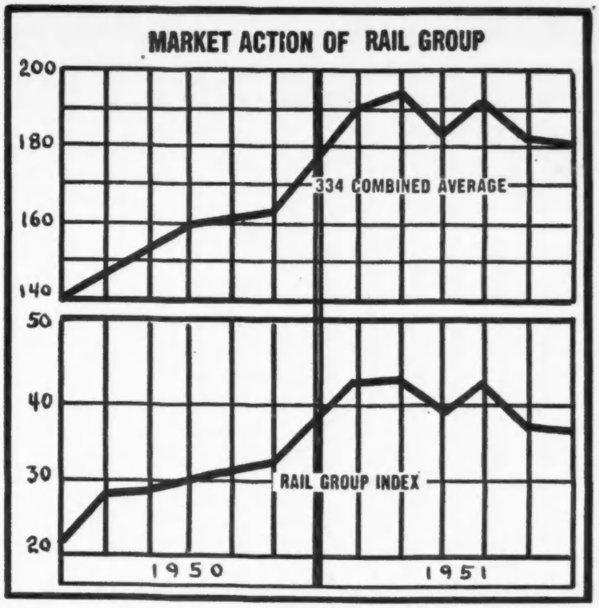
Statistical Position of Leading Railroads

	Operating Revenues 1st 5 months 1951 (Millions)	Operating Revenues 1st 5 months 1950 (Millions)	Operating Revenues Full Year 1950 (Millions)	Operating Ratio 1st 5 months 1951 %	Operating Ratio Full Year 1950 %	Net Per Share 1st 5 months 1951	Net Per Share Full Year 1950	Div. 1950	Recent Price	Yield %	COMMENTS
Atchison, Topeka & Santa Fe W	$230.8	$176.1	$522.6	—	67.1%	$8.29	$31.29	$10.00[1]	147	6.1%	Earnings expected to be sustained by favorable oil developments and more liberal dividend seems reasonable after stock split; management conservative; finances strong.
Atlantic Coast Line W	69.3	56.4	133.6	84.3%[2]	80.1	5.45	15.51	4.00	61	6.5	Improvement in equipment and facilities aids in competition with trucks; higher dividend this year seems amply protected; management regarded as alert and capable.
Baltimore & Ohio	181.1	151.0	402.5	83.0	80.6	1.59	4.95	—	16	—	Rapid debt retirement made possible by earnings gains should strengthen equity in time, but may defer action on common dividend; heavy industry important traffic source.
Canadian Pacific	170.5	144.9	378.5	—	86.5	—	3.32	1.25	22½	5.5	Continued urgent demand for non-ferrous metals, contributing to boom in major subsidiary, helps offset adverse effects of rising wage costs; higher dividend possible.
Chesapeake & Ohio W	143.7	116.9	318.6	73.3	69.4	1.61	4.25	2.00	29	6.8	Prospect of increased use of coal in utility operations favorable for this major carrier; maintenance of high rate of industrial activity spurs hope of increase in dividend rate.
Chicago, Milwaukee, St. Paul & Pacific	104.9	90.1	255.4	—	78.2	d.57	4.50	2.00	17½	11.4	Although movement of traffic to Pacific may slacken, road's earnings should remain reasonably good in reflecting increased efficiency; continuance of liberal dividend foreseen.
Chicago & North Western	79.9	67.5	188.9	90.7	84.3	d4.60[2]	2.49	1.50	19½	7.6	Good crop prospects, aided by progress already attained in connection with armament program, raise hope of earnings adequate to support a common dividend later in the year.
Chicago, Rock Island & Pacific	83.6	72.4	179.6	—	72.8	3.35[3]	10.19	3.00	47	6.4	Heavier movement of traffic from industrial areas to Pacific contributing to earnings gains and holding out encouragement of dividend increase before end of the year.
Delaware & Hudson Co.	24.4	21.2	98.1	—	76.8	—	10.38	4.00	41⅝	9.1	Outlook remains clouded by uncertainty over traffic in anthracite, but non-coal shipments promise to be well sustained and maintenance of liberal dividend indicated.
Erie	73.3	62.6	166.1	76.4[2]	73.2	1.39[4]	3.20	1.75	17	10.3	Steady enlargement of Diesel motive power contributing to efficiency in operations, helps maintain earnings; prospects favorable for continued liberal dividend.
Great Northern Pfd.	91.6	69.8	227.5	81.1	71.3	.82	9.11	3.50	46	7.6	Probability of high rate of steel production incident to armament program points to heavy iron ore movement and good earnings; indicated $4 dividend amply protected.
Gulf, Mobile & Ohio	35.9	28.9	78.4	74.6	70.3	1.71[4]	7.20	2.00[1]	23¾	8.4	Heavy movement of coal, steel, pulp and manufactured products expected to continue for some time; with operations Dieselized, economies counteract rising wage costs.
Illinois Central W	119.9	104.0	275.9	77.9	72.6	3.98	20.83	3.00	53½	5.6	Slackening in soft coal movement may be offset by growth in traffic in manufactures in coming months; with debt reduction program well advanced, higher dividend looms.
Kansas City Southern	18.7	15.5	39.3	56.7[2]	57.9	—	10.42	5.00	58	8.6	Industrial traffic helped by armament program, but gains less important than in some other areas and earnings may do well to approximate last year's good results.
Lehigh Valley	31.6	27.2	71.2	—	76.8	60[4]	2.42	—	9	—	Reflecting increase in shipments to Atlantic Seaboard for export, traffic has been well maintained; earnings warrant dividend consideration, but repair charges are high.
Louisville & Nashville W	92.1	76.8	203.0	—	74.2	3.36	10.39	4.00	49	8.1	Slackening in industrial activity would find reflection in reduced demand for soft coal; operations show benefits of increased efficiency and $4 dividend appears assured.
Minneapolis & St. Louis	8.6	7.1	20.8	79.2	71.9	.87	4.61	1.25	15⅛	8.2	Recovery in earning power achieved by Dieselization and other economies; outlook promising for higher dividend in line with policy since reorganization.
New York Central	327.9	276.5	759.6	88.6	83.3	d.90	2.84	1.00	15½	6.4	Keen competition from trucks on short haul and unprofitable passenger business impose handicaps; debt problems prevent adoption of liberal dividends.
New York, Chicago & St. Louis	65.4	57.8	146.9	69.6	64.2	3.35[4]	55.88	—	180	—	Operating economies adopted early in war paved way for improvement and subsequent elimination of preferred dividend arrears; common due for dividend.
Norfolk & Western X	81.1	62.0	167.9	70.7	69.3	1.99	5.05	3.50	44	8.0	Continuance of heavy soft coal movement needed to sustain earnings; management regarded as conservative; rising costs threaten to restrict dividend.

gains over the first three months of 1950, but investors should not overlook the fact that progress over last year has been narrowing since January. Significant wage increases have been granted to trainmen and higher payrolls have been accrued for other brotherhoods in anticipation of settlement of negotiations granting increases comparable with those accepted by the trainmen. Thus the year-to-year improvement may be trimmed to the vanishing point by mid-year and comparisons in the next few months will be with the favorable experience of 1950 when the Korean invasion spurred traffic.

Wage Demands vs. Rate Relief

Sharp wage increases tied to the cost of living have imposed heavy handicaps on rail revenues. Managements have sought rate relief and moderate interim increases have been awarded, but there is some question among economists whether rate increases will solve the problem. Every advance diverts some traffic to trucks, waterways or other modes of transportation. Hearings on the carriers' application for a 15 per cent rate boost have been completed and the Interstate Commerce Commission is expected to speed up its decision so as to permit the roads to put higher charges into effect before any letdown in business puts the roads on the defensive. Washington observers are hopeful that the

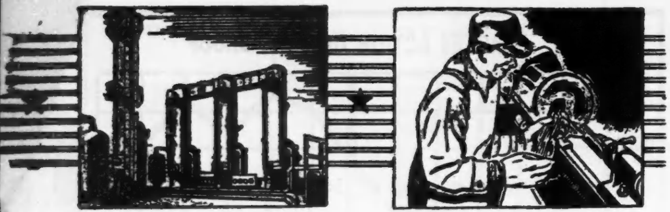


Commission may grant final increases about double the interim advance — that is, an additional 4 per cent for eastern carriers (*Please turn to page* 426)

Statistical Position of Leading Railroads—Continued from page 400

	Operating Revenues 1st 5 months 1951 (Millions)	Operating Revenues 1st 5 months 1950 (Millions)	Full Year 1950 (Millions)	Operating Ratio 1st 5 months 1951 %	Operating Ratio Full Year 1950 %	Net Per Share 1st 5 months 1951	Net Per Share Full Year 1950	Div. 1950	Recent Price	Yield %	COMMENTS
Northern Pacific X	64.8	51.3	167.2	84.1	72.9	.53	7.86	2.00	35⅝	5.6	Progress in discovery of oil in Northwest accounts for revival of speculative interest; high income from Burlington encourages hope of increase in dividend.
Pennsylvania	414.8	330.3	930.1	—	84.3	d.45	2.92	1.00	17	5.8	Although operating results have gained in response to pickup in industrial traffic, passenger business is handicap; big loss in February wreck dictates caution.
Reading	53.2	44.7	118.9	80.6	78.6	1.45	4.65	2.00	26¼	7.6	Dieselization program contributing to favorable economies; industrial traffic is well maintained; management committed to conservative policy on dividends.
St. Louis-San Francisco X	54.2	45.9	121.3	—	73.7	1.35	6.57	1.50	22¼	6.7	Expansion of industrial activity in Southwest and benefits of Dieselization explain impressive gains; large investment in oil lands adds attraction.
Seaboard Air Line W	66.2	56.9	135.5	—	72.9	4.78	12.30	4.00[1]	48¼	8.3	Benefits of extensive improvement in facilities show up in earnings recovery; management inclined toward liberal dividend for one-time bondholders of old road.
Southern Pacific W	261.8	213.3	598.2	76.6	73.1	4.20	12.55	5.50	59	9.3	Although traffic may be reduced by lull in Korean hostilities, industrial activity likely to hold up in Southwest; liberal dividend policy expected to be maintained.
Southern Railway	107.8	89.3	239.9	73.8	70.3	4.53	14.94	3.00	47⅜	6.3	Gradual expansion of industrial production in South finds reflection in steady rise in road's earnings; debt problem due soon may bar further dividend liberality.
Texas & Pacific	31.3	26.1	70.7	—	68.9	5.74	18.23	5.00	79	6.3	Rapid growth in Southwest contributes to steady gains; strong financial position encourages hope of generous dividends; Missouri Pacific large holder of shares.
Union Pacific W	198.5	154.9	465.2	76.6[2]	70.3	4.85	14.80	5.00	98¼	5.1	Cutback in shipments to West Coast would trim revenues in second half, but income from oil properties is important offset; some hope of an increase in $5 dividend.
Virginian Ry.	18.5	11.8	33.2	57.3	60.3	1.71	4.02	3.12½	29¾	10.4	Although prospects for soft coal movement seem reasonably satisfactory, excess profits tax threatens to restrict earnings gains; regular $2.50 dividend secure.

d—Deficit.
[1]—1951 rate.
[2]—Estimated.
[3]—Reported per share after funds.
[4]—Before funds and miscellaneous appropriations.
X—Recommended for Appreciation.
W—Recommended for Income.



★ FIVE ★ Debt-Free Companies

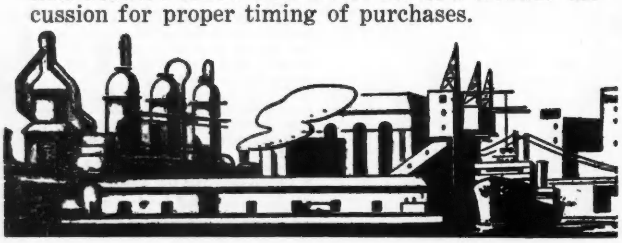
By OUR STAFF

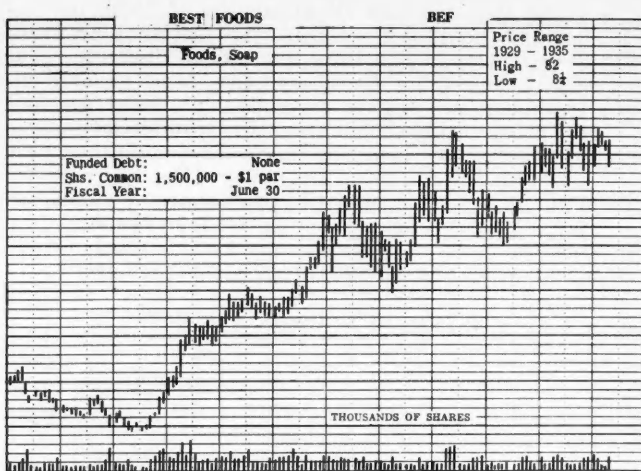
Leverage stocks have a considerable degree of attractiveness in periods of rising earnings because the common stockholder benefits, or has the possibility of benefitting, at the expense of the senior security holders. But this advantage can dwindle fast once earnings begin to decline. Leverage, as we know, works both ways, and often drastically so.

Thus if a shrinkage of earnings is impending, as at this time because of higher taxes and mobilization impacts, the advantage of companies free of senior capitalization—with only common stocks outstanding—should not be overlooked. Freedom of debt, particularly, is a desirable characteristic in such times. Certainly, where it exists, the risk is proportionately less and the stock is less vulnerable to the effect of shrinking earnings just as there is greater sensitivity to a decline where a heavy amount of senior obligations precedes the common. The reason is that in the absence of senior capital, earnings after taxes accrue exclusively to the equity whereas in a speculatively capitalized enterprise, the bondholders and preferred stockholders have first call on profits.

Having this in mind, we have selected five companies with neither funded debt nor preferred stocks but whose capitalization consists solely of common shares, in all but one case outstanding in moderate amount. This of course is not their only merit; there are other factors that should render them attractive to the investor, including tax position, earnings and dividend outlook, and attractive dividend yield.

On this and following pages, we present statistical data and brief comments pertinent to the companies selected, as well as charts showing long term market action of the stocks. Because of present uncertain market conditions, we do not, however, recommend stock purchases at this time but suggest that readers follow Mr. A. T. Miller's market discussion for proper timing of purchases.





1940	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951
.71	.44	1.64	2.25	1.68	2.06	3.53	6.36	3.14	5.69		
.60	.60	.45	.30	1.00	1.00	1.10	2.20	3.75	2.50	3.00	
10.5	10.5	10,3	16.0	17.9	17.7	20.0	23.1	24.9	21.2	22.2	Wkg Cap $

BEST FOODS, INC.

BUSINESS: Company is a leading producer in all three fields in which it operates—food processing, shoe polishes and allied products, and household fabric dyes. Well-known branded products include Nucoa margarine, Hellman mayonnaise, Presto cake flour, Shinola shoe polishes, Rit dyes and others.

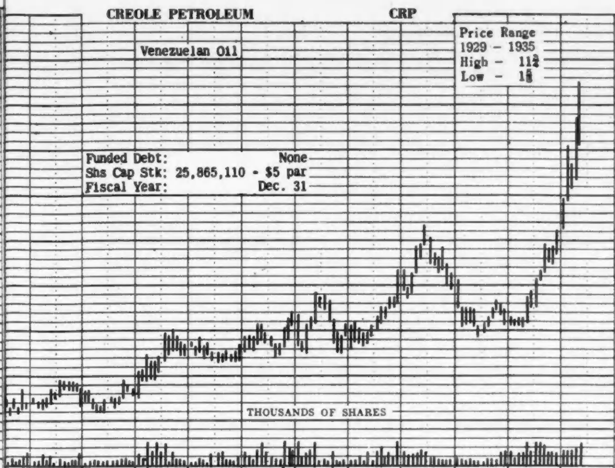
OUTLOOK: Demand for the company's diversified products remained strong in the first nine months of the 1951 fiscal year (ending June 30) with taxable net more than 10% above year-ago figures. However, higher taxes caused a moderate decline in net profits, with per share earnings receding to $3.08 from $3.35 in the comparable previous period, and will probably hold earnings for the full fiscal year moderately below the $4.56 a share reported for fiscal 1950. Since however the dividend should be well covered in spite of higher tax rates and dividend policy is quite liberal, the stock remains attractive for large yield and possibilities of ultimate further appreciation. Current demand trends point to at least well maintained and probably rising sales in the year ahead, promising satisfactory over-all results, and company should derive long term benefits from last year's lifting of the burdensome restrictions on the sale of margarine. It occupies a strong position in all of its three major fields. Management is aggressive, plant facilities are highly modern, and finances strong and liquid. Latest available balance sheet shows current liabilities more then covered by cash items. Capitalization consists solely of 1,500,000 capital shares.

DIVIDENDS: Payments, partly by predecessor companies, have been made without interruption since 1927. Current quarterly rate is 50 cents and a $1 special has already been declared, pointing to a 1951 total of $3, the same as last year.

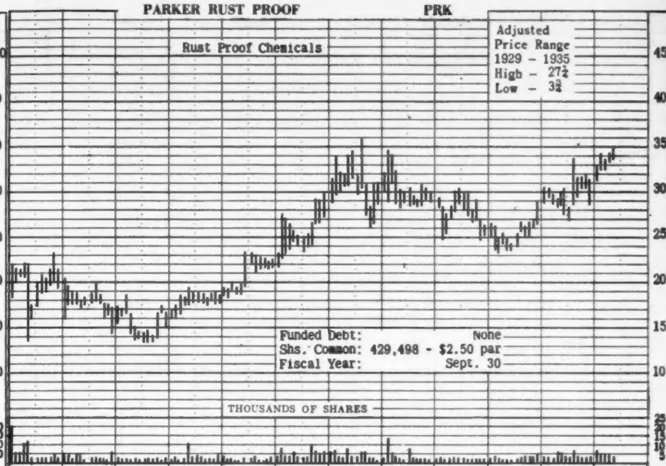
MARKET ACTION: Recent price—32½ compares with a 1951 range of High—37¾, Low—32½. Indicated yield is 9%. Even without the extra (already paid this year), it would still be better than 6%.

COMPARATIVE BALANCE SHEET ITEMS

	1940	June 30 1950 (000 omitted)	Change
ASSETS			
Cash	$ 5,610	$ 4,370	—$ 1,240
Marketable Securities	377	13,481	+ 13,104
Receivables, Net	1,130	3,370	+ 2,240
Inventories	4,748	10,650	+ 5,902
TOTAL CURRENT ASSETS	11,865	31,871	+ 20,006
Net Property	3,977	13,198	+ 9,221
Investments	6,820	—	— 6,820
Other Assets	154	605	+ 451
TOTAL ASSETS	$ 22,816	$ 45,674	+$ 22,858
LIABILITIES			
Accounts Payable	$ 347	$ 8,849	+$ 8,502
Accruals	385	750	+ 365
Accrued Taxes	537	—	— 537
TOTAL CURRENT LIABILITIES	1,269	9,599	+ 8,330
Reserves	846	—	— 846
Capital Stock	1,613	1,500	— 113
Surplus	19,088	34,575	+ 15,487
TOTAL LIABILITIES	$ 22,816	$ 45,674	+$ 22,858
WORKING CAPITAL	$ 10,596	$ 22,272	+$ 11,676
CURRENT RATIO	9.8	3.3	— 6.5



	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951
EARN.	1.76	.50	.44	2.33	2.43	3.13	5.06	7.68	4.49	6.45	
DIV.	1.00	.75	.50	1.25	1.25	1.75	2.85	3.60	3.00	3.40	
Wkg Cap $ Mil	8.1	4.3	20.7	37.8	47.3	55.5	29.9	19.0	7.7	107.2	



	1940	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951
EARN.	2.50	1.74	1.82	1.72	1.72	1.64	2.34	3.08	3.39	3.39	4.14	
DIV.	2.00	1.50	1.37½	1.50	1.50	1.50	2.25	2.50	2.50	2.50	3.00	
Wkg Cap $ Mil	.8	1.0	1.1	1.2	1.4	1.4	1.7	1.6	2.5	3.0	2.5	

CREOLE PETROLEUM CORPORATION

BUSINESS: This company is the largest producer of Venezuelan crude oil and operates three refineries. 94% owned by Standard Oil of New Jersey, it controls vast crude reserves, thus has increased production potentials.

OUTLOOK: Sharply larger production last year lifted gross income 19%, and with operating costs and reserve charges lower, taxable earnings advanced 48%. But higher provisions for income taxes held the gain in 1950 profits to 44%, at $6.45 a share compared with $4.49 in 1949. Conditions this year point to continued strong demand for crude oil and products. The management estimated first quarter earnings at $48 million equal to $1.86 per share compared with $35 million or $1.35 last year. Crude oil production was the highest in history but should climb further during the remainder of the year. Thus, while the first quarter profits may not be representative of the outlook for the rest of the year because of higher U.S. import duties, increased freight costs and an estimated $10 rise in labor costs, results should nevertheless be highly satisfactory. Moreover, as a Venezuelan company, it is not subject to EPT. Creole expects to spend in 1951 $61 million for capital improvements as against $43.3 million expended last year, with the new program calling for drilling of 143 wells in proven fields compared with 96 wells in 1950. Crude reserves have continued to increase each year at a faster rate than oil production, and current reserves are the highest in history. Middle East developments may have an important influence on the longer term outlook since crude oil from that area offered increased competition to Venezuelan crude in world markets. In the event of interruption of the Middle East oil supply, Creole could benefit substantially.

DIVIDENDS: 1951 Payments will probably exceed last year's $3.40 a share, with $2.25 already paid so far. The yield on last year's dividend is 4.7% but should be higher for 1951.

MARKET ACTION: Recent price—71⅞ compares with a 1951 range of High—85, Low—52⅝.

COMPARATIVE BALANCE SHEET ITEMS

	1940	December 31 1950 (000 omitted)	Change
ASSETS			
Cash	$ 994	$ 17,871	+$ 16,877
Receivables, Net	4,857	150,449	+ 145,592
Inventories	6,780	67,099	+ 60,319
TOTAL CURRENT ASSETS	12,631	235,419	+ 222,788
Net Property	71,508	473,900	+ 402,392
Investments	437	7,120	+ 6,683
Other Assets	1,184	2,080	+ 896
TOTAL ASSETS	$ 85,760	$718,519	+$632,759
LIABILITIES			
Crude Oil Purchased	$ —	$ 31,200	+$ 31,200
Accounts Payable	2,645	10,166	+ 7,521
Accruals	3,691	7,547	+ 3,856
Accrued Taxes	2,181	79,281	+ 77,100
TOTAL CURRENT LIABILITIES	8,517	128,194	+ 119,677
Other Liabilities	015	—	— 015
Reserves	—	38,234	+ 38,234
Capital Stock	34,872	129,326	+ 94,454
Surplus	42,356	422,765	+ 380,409
TOTAL LIABILITIES	$ 85,760	$718,519	+$632,759
WORKING CAPITAL	$ 4,114	$107,225	+$103,111
CURRENT RATIO	1.5	1.8	+ .3

PARKER RUST PROOF COMPANY

BUSINESS: Company owns numerous patents covering rustproof chemicals and processes for their manufacture, including among others the well-known Parkerizing and Bonderite processes. Chief client industries are the automotive, refrigerator, air-conditioning and office equipment makers, but also many others.

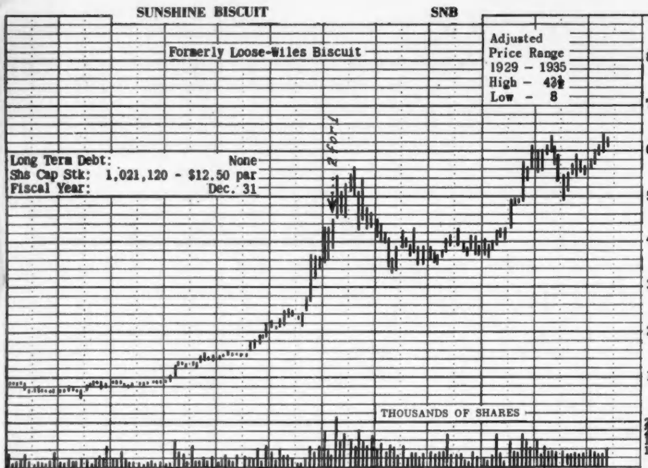
OUTLOOK: Reflecting a steady growth trend over the years, this company has established an excellent earnings and dividend record, and should continue to forge ahead in the rust control field that is rapidly becoming big business. Its profit base has been further broadened through acquisition in 1950 of the Tropical Paint & Oil Co., maker of paints and varnishes for both trade sales and the industrial market. In the fiscal year ended September 30, 1950, earnings were $4.14 a share on sales of $3.73 million, up from $3.39 and $3.1 million, respectively, in the preceding fiscal period. In the six months ended March 31, 1951, per share net was $1.97 against $1.67 in the preceding comparable span. In the Marth quarter alone, per share net was $1.12 against 89 cents a year ago, illustrating the steady earnings uptrend based on expanding volume. Although declining production in consumer durable goods industries may henceforth slow demand from these sources somewhat, an offset is seen in mounting requirements from defense and defense-supporting industries as well as in the secular uptrend of rust control generally. Because of the basic growth trend and strong finances, dividends in the past have been liberal. Current liabilities at the year-end were more than covered by cash items, and working capital of $8.3 million should prove fully adequate for all foreseeable needs. Capitalization is simple, consisting of 429,498 outstanding common shares.

DIVIDENDS: Payments last year were at a quarterly rate of 62½ cents, plus a 50 cents extra, making a total of $3 a share. In fiscal 1951, the quarterly dividends may again be supplemented by an extra.

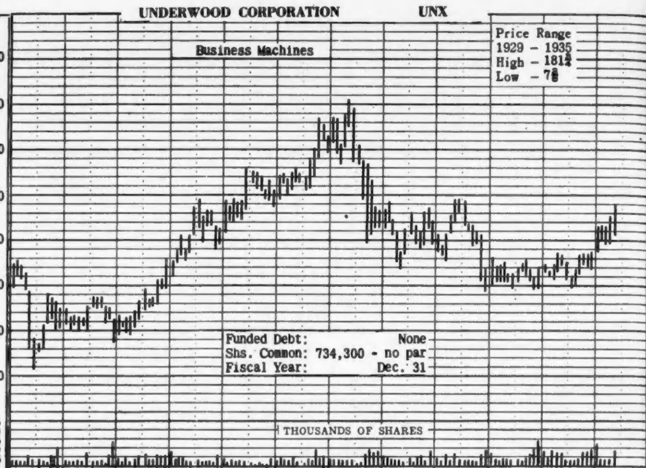
MARKET ACTION: Recent price—34 compares with a 1951 range of High——35, Low—31⅛. Yield on last year's dividend is 8.8%; on the regular $2.50 rate alone it would be 7.3%.

COMPARATIVE BALANCE SHEET ITEMS

	1940	December 31 1950 (000 omitted)	Change
ASSETS			
Cash	$ 1,027	$ 1,713	+$ 686
Marketable Securities	—	2,327	+ 2,327
Receivables, Net	284	932	+ 648
Inventories	089	991	+ 902
TOTAL CURRENT ASSETS	1,400	5,963	+ 4,563
Net Property	347	2,071	+ 1,724
Investments	1,051	142	— 909
Other Assets	384	133	— 251
TOTAL ASSETS	$ 3,182	$ 8,309	+$ 5,127
LIABILITIES			
Note Payable, Bank	$ —	$ 700	+$ 700
Accounts Payable	091	752	+ 661
Accruals	—	306	+ 306
Accrued Taxes	487	1,645	+ 1,158
TOTAL CURRENT LIABILITIES	578	3,403	+ 2,858
Preferred Stock	026	—	— 026
Common Stock	1,074	1,074	—
Surplus	1,504	2,832	+ 2,328
TOTAL LIABILITIES	$ 3,182	$ 8,309	+$ 5,127
WORKING CAPITAL	$ 822	$ 2,560	+$ 1,738
CURRENT RATIO	2.4	1.7	— .7



	1940	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951
EARN.	.97	.99	1.99	2.17	2.89	2.58	6.23	6.02	6.78	7.67	7.24	
DIV.	.50	.62½	.62½	.62½	.87½	1.12½	3.00	3.00	3.00	3.75	4.00	
Wkg Cap $ Mil	7.2	6.4	7.0	9.2	11.0	11.9	14.1	16.5	18.8	20.6	24.2	



	1940	1941	1942	1943	1944	1945	1946	1947	1948	1949	1950	1951
EARN.	3.03	5.09	3.04	3.38	3.07	3.04	2.66	8.31	8.19	5.26	6.71	
DIV.	2.25	3.50	2.50	2.50	2.50	2.50	2.50	4.00	4.00	3.50	4.00	
Wkg Cap $ Mil	17.8	18.0	20.6	21.9	18.8	17.0	17.3	23.8	25.6	26.6	26.4	

SUNSHINE BISCUITS, INC.

BUSINESS: Second largest of the specialty bakers, producing its entire flour requirements in its own mills. Plants are strategically located from coast to coast. Bakery output includes more than a hundred kinds of cookies and crackers.

OUTLOOK: With annual sales well over the $100 million mark in recent years, profits have been eminently satisfactory, reflecting modernization and increased capacity, economical operations, efficient management and excellent trade position. On sales of $104.9 million, company last year netted $7.24 a share compared with $7.67 on sales of $104.8 million in 1949, the moderate decline being mainly due to higher taxes, including $250,000 in EPT. The latter however should not prove burdensome in the future in view of company's substantial EPT credit which the management estimates at $6.10 a share after providing for 52% income taxes. First quarter profits were $1.58 a share against $1.61 in the same period last year, reflecting well maintained earning power despite higher taxes but also mounting sales. Management indicated that first quarter volume had increased substantially, both in dollars and in weight, and the future demand outlook is promising, bolstered by $3 worth of Government orders for military rations. Profit margins should remain satisfactory despite controlled prices. Together with well integrated manufacturing operations and improvement in equipment, this should stabilize future earnings, despite tax impacts, at a level providing more than ample dividend coverage. Finances are strong and liquid, with cash items more than twice the amount of current liabilities and a total working capital of over $24 million. Capitalization consists of 1,021,200 common shares.

DIVIDENDS: Payments are at a quarterly rate of $1 a share and are well protected by prospective earning power.

MARKET ACTION: Recent price—64 compares with a 1951 range of High—64, Low—56. Yield on the $4 anual dividend is 6.2%.

COMPARATIVE BALANCE SHEET ITEMS

	1940	December 31 1950 (000 omitted)	Change
ASSETS			
Cash and Marketable Securities	$ 3,106	$ 18,242	+$ 15,136
Receivables, Net	2,157	3,351	+ 1,194
Inventories	3,487	11,820	+ 8,333
TOTAL CURRENT ASSETS	8,750	33,413	+ 24,663
Net Property	10,521	16,511	+ 5,990
Investments	142	223	+ 081
Other Assets	1,127	264	— 863
Goodwill, trade marks & patents	8,022	—	— 8,022
TOTAL ASSETS	$ 28,562	$ 50,411	+$ 21,849
LIABILITIES			
Accounts Payable	$ 478	$ 1,246	+$ 768
Accruals	355	2,074	+ 1,719
Accrued Taxes	716	5,838	+ 5,122
TOTAL CURRENT LIABILITIES	1,549	9,158	+ 7,609
Reserves	163	2,938	+ 2,775
Preferred Stock	4,071	—	— 4,071
Common Stock	12,805	12,765	— 040
Surplus	9,974	25,550	+ 15,576
TOTAL LIABILITIES	$ 28,562	$ 50,411	+$ 21,849
WORKING CAPITAL	$ 7,201	$ 24,255	+$ 17,054
CURRENT RATIO	5.8	3.6	— 2.2

UNDERWOOD CORPORATION

BUSINESS: Underwood ranks among the three largest manufacturers of office and business equipment, with typewriters usually accounting for about half of total sales. The business is conducted on a worldwide scale, with foreign sales about 20% of total volume.

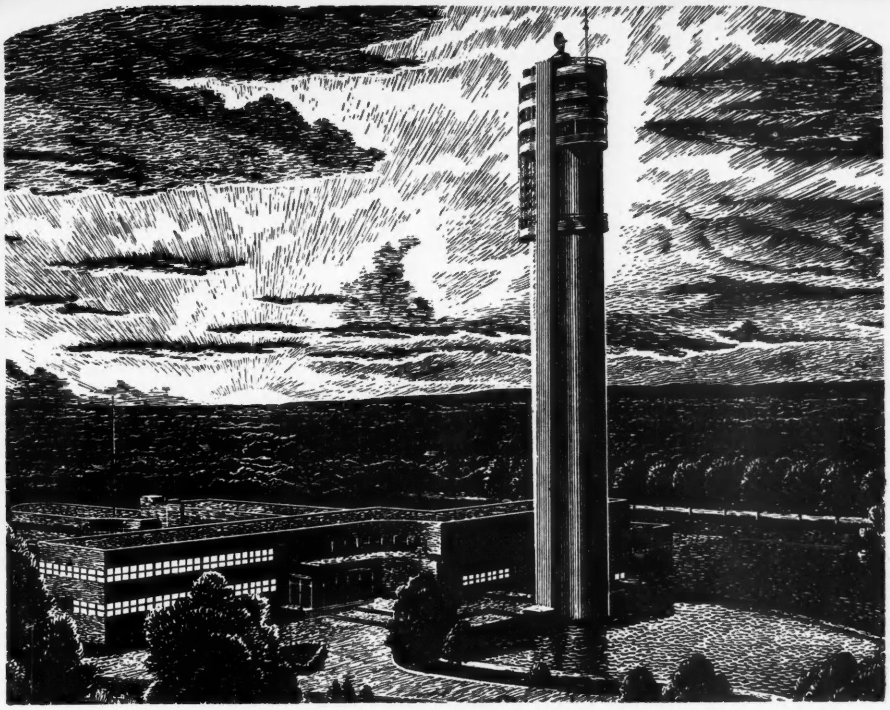
OUTLOOK: The Company has been aggressively pushing sales activity with the result that 1950 volume rose to $45 million from $39.9 million in 1949, and per share net to $6.71 from $5.26, despite higher taxes including EPT. The gain in normal business was further stimulated by a rush of orders after the Korean outbreak and the current order backlog is substantial, pointing to well maintained activity in the months ahead. With sales in the first quarter at a new quarterly high of $19.1 million and margins favorable, earnings for the period were $1.61 a share despite taxes at a 66% rate. This compares with 82 cents for the same period a year ago. Even should output later on be curbed somewhat by raw material shortages, indications are that full 1951 net will exceed last year's results. Company has a sizeable EPT cushion, hence EPT impacts should not be too severe. Much has been accomplished in the corporation's plant modernization program which is now paying off in higher volume and satisfactory profit margins. Additionally, the company is effectively exploiting the office equipment market through introduction of new machines and new models, including recently a new calculating machine—the fruit of an active research and development program. Worldwide foreign business is holding up remarkably well. Finances are strong and liquid, with cash items more than double the amount of current liabilities. Working capital at the year-end exceeded $26 million. Capitalization is limited to 734,300 outstanding common shares.

DIVIDENDS: Payments are at a quarterly rate of 75 cents, supplemented last year by a $1 extra for a total of $4 a share. A similar amount is indicated for 1951.

MARKET ACTION: Recent price—52½ compares with a 1951 range of High—58, Low—47¾. Indicated yield is 7.7%.

COMPARATIVE BALANCE SHEET ITEMS

	1940	December 31 1950 (000 omitted)	Change
ASSETS			
Cash and Marketable Securities	$ 6,292	$ 7,280	+$ 988
Receivables, Net	5,758	11,471	+ 5,713
Inventories	7,994	15,377	+ 7,383
TOTAL CURRENT ASSETS	20,044	34,128	+ 14,084
Net Property	5,466	9,233	+ 3,767
Investments	020	1,302	+ 1,282
Other Assets	237	411	+ 174
TOTAL ASSETS	$ 25,767	$ 45,074	+$ 19,307
LIABILITIES			
Accounts Payable	$ 454	$ 1,716	+$ 1,262
Accruals	646	2,205	+ 1,559
Accrued Taxes	1,134	3,761	+ 2,627
TOTAL CURRENT LIABILITIES	2,234	7,682	+ 5,448
Reserves	2,600	2,749	+ 149
Other Liabilities	069	197	+ 128
Common Stock	7,343	11,155	+ 3,812
Surplus	13,521	23,291	+ 9,770
TOTAL LIABILITIES	$ 25,767	$ 45,074	+$ 19,307
WORKING CAPITAL	$ 17,810	$ 26,446	+$ 8,636
CURRENT RATIO	9.1	4.7	— 4.4



The famous Microwave Tower at Nutley, New Jersey — symbol of world-wide I T & T research.

A Timely Study of I. T. & T.

By STANLEY DEVLIN

In December of last year, International Telephone & Telegraph Corp. resumed dividends on the common stock for the first time in nineteen years, thus marking what seems a definite turning point in the company's operations.

Few important American concerns have been so bedeviled with such vast and complex problems. Operating as a world-wide organization, I. T. & T. has been especially subject to developments in the international sphere. Since the early thirties, and during the war and post-war years, it has had to contend with world depression, war, revolution, and expropriation of its properties in the "Iron Curtain" countries.

Other evils have flown from these circumstances, especially with respect to the difficulties faced by its foreign subsidiaries in making currency transfers to the parent company. It has also been greatly limited by government control of rates in many of the foreign countries in which it operates. Therefore, it is understandable that the company, under these severely limiting conditions, has not been able to establish a reliable earning power until very recently.

Realizing that in a world of semi-permanent crisis, the corporation would continue to prove more or less vulnerable to any misfortunes arising from unsettlement abroad, the management ten years ago embarked on a policy of concentrating its expansion of manufacturing facilities in the United States. It has by no means neglected the continued development of its many manufacturing interests abroad, but seeks to undertake the bulk of its efforts at home.

It has taken years for this shift in policy away from foreign and towards domestic activities, to bear fruit and, indeed, many setbacks have taken place. In the case of Federal Telephone & Radio, its important domestic subsidiary, losses of no less than 11 million dollars accrued during the period 1948-1949. However, this subsidiary on which the hopes of the company are now pinned to a large extent, has finally commenced to operate profitably and seems on the road to lasting earning power.

This improvement is due largely to the fact that operations of the new plant at Nutley, N. J. have finally swung into high gear; and also to greatly improved operating efficiency, combined with a marked increase in orders both for civilian and military purposes. The past year reversed the situation from large losses to a moderate profit, and indications are that 1951 will prove at least as successful. Since the drain on I. T. & T.'s resources caused by the former losses of Federal has disappeared, it is apparent that the current improvement in this subsidiary's earnings has in itself greatly aided the financial position of I. T. & T.

It is worth stressing the position of Federal Telephone with relation to the parent organization. Federal mainly produces equipment for independent telephone companies in the U.S. and also for Latin American countries; it is also a manufacturer of A.M., F.M., and television broadcasting transmitter installations. Among other products are two-way radio systems for police, fire department and other communication networks. It is an important manufacturer of airport instrument landing systems (ILS), and many other electronic products.

Potentialities of Research

Great importance is attached to the potentialities inherent in the remarkable scientific and research organization of I. T. & T. However, since Federal's principal product consists of telephone equipment, it follows that the bulk of earnings must depend on this source. Next to the Bell system, Federal has the largest manufacturing capacity in the world in the field of telephone equipment.

Although the company entered the domestic market as late as 1945, it has had a growing and important response; it has already installed dual central offices for the General Telephone Co. in Lexington, Ky. and

Comparative Balance Sheet Items (Consolidated)

	December 31 1941	1950	Change
	(000 omitted)		
ASSETS			
Cash	$ 15,311	$ 32,927	+$ 17,616
Marketable Securities	......	9,000	+ 9,000
Receivables, Net	3,349	54,533	+ 51,184
Inventories	6,320	103,011	+ 96,691
Other Current Assets	009	2,000	+ 1,991
TOTAL CURRENT ASSETS	24,989	201,471	+ 176,482
Gross Property	229,485	......	— 229,485
Net Property	......	152,667	+ 152,667
Investments	158,308	104,675	— 53,633
Other Assets	8,729	14,858	+ 6,129
TOTAL ASSETS	$421,511	$473,671	+$ 52,160
LIABILITIES			
Notes & Loans Payable	$ 2,564	$ 12,652	+$ 10,088
Accounts Payable	5,663	47,702	+ 42,039
Accruals	3,459	20,880	+ 17,421
TOTAL CURRENT LIABILITIES	11,686	81,234	+ 69,548
Reserve for Depreciation	37,410	......	— 37,410
Other Reserves	59,004	21,940	— 37,064
Other Liabilities	4,135	30,006	+ 25,871
Long Term Debt	130,699	54,950	— 75,749
Pfd. Stock of Subsidiaries	9,265	11,054	+ 1,789
Capital Stock	127,980	137,320	+ 9,340
Surplus	41,332	137,167	+ 95,835
TOTAL LIABILITIES	$421,511	$473,671	+$ 52,160
WORKING CAPITAL	$ 13,303	$120,237	+$106,934
CURRENT RATIO	2.1	2.5	+ .4

for the Rochester Telephone Corp. in Rochester, N. Y. Other installations have been completed. Possibilities for further growth in this field may be seen from the fact that whereas nearly 70% of the Bell system is supplied with dial phones, the independent companies with well over 5 million phones in use are supplied with only somewhat over 30% of dial phones. It is inevitable that these independents turn increasingly to the use of the more modern dial phone communication.

In the South American market there is a large pent-up demand for communications equipment. Sales to the West Indies offer no problems since there are no currency restrictions. However, in South America sales are still handicapped by currency problems and in some cases the parent company has had to intervene and arrange the financing of purchases through the Export-Import Bank. This is not always feasible and remains a characteristic problem for the company. Through its subsidiaries, I. T. & T. has somewhat over 370,000 telephones in operation in Chile, Cuba, Brazil, Puerto Rico, Peru and Argentina. Applications are pending for an additional 134,000 sets.

Acquisition of Farnsworth

Pursuing its policy of expanding into the domestic manufacturing field, I. T. & T. in May 1949 acquired the Farnsworth Television & Radio Corp. The name of this subsidiary was subsequently changed to Capehart-Farnsworth Corp. The addition of the facilities controlled by Capehart enabled I. T. & T. to enter the television field on a major scale. Capehart suffered a loss in 1949 but turned in a good report for 1950 with net earnings of about 1.5 millions. It is expected that in the current year this subsidiary will not do quite as well, though earnings thus far have been in excess of the comparable period for 1950, because of the current slump in the television business. On the other hand, this drop will be compensated for in good measure by the steadily increasing volume of orders for electronic equipment from the defense department.

From the longer-range standpoint, Capehart should prove a source of substantial earnings to I. T. & T. The company is in the forefront of new design and technology in the field of television receivers and the manufacture of phonograph-radio equipment. In addition, it is increasing its production of television tubes and is making strides in the growingly important field of industrial television equipment.

The latter enables visual examination of industrial and scientific techniques, such as in atomic power plants, where direct human examination would prove dangerous or impossible. Capehart is also noted for its high frequency radio telephone equipment and in 1950 completed for the Erie R.R. the most com-

Long Term Operating and Earnings Record (Consolidated)

	Total Sales	Total Gross Earnings	Taxes†	Interest & Fixed* Charges	Net Income	Net Profit Margin %	Net Per Share	Div. Per Share	Price Range 1941-50
	(Millions)								
1951 (1st Quarter)	$60.0	$ 21.0	$ 4.5	$ 1.0	$ 4.1	6.8%	$ .63	(1) .45	(2) 18¼-13⅛
1950	216.9	79.9	16.3	4.2	15.5	7.1	2.38	......	16 - 9¼
1949	201.0	67.8	15.2	4.2	4.6	2.3	.72	......	11⅛- 7½
1948	184.7	62.1	12.1	4.0	6.8	3.6	1.07	......	16½- 8¾
1947	142.6	50.1	8.8	4.1	.2	.1	.03	......	17¾- 9½
1946	26.8	26.0	3.5	4.5	(d) 10.0	......	(d) 1.57	......	31⅞-14¾
1945	95.2	33.6	3.8	6.0	8.1	8.5	1.27	......	33 -18¾
1944	109.9	50.8	3.5	8.5	6.9	6.3	1.09	......	20 -11⅝
1943	73.0	44.7	3.4	8.7	5.6	7.7	.88	......	16⅞- 6½
1942	17.7	34.0	2.3	7.7	2.1	12.1	.33	......	7⅛- 1½
1941	5.4	29.4	2.4	7.8	(d) .2	......	(d) .03	......	3⅝- 1¼
10 Year Average 1941-50	$107.3	$ 47.8	$ 7.1	$ 5.9	$ 3.9	4.7%	$ .61	......	33 - 1¼

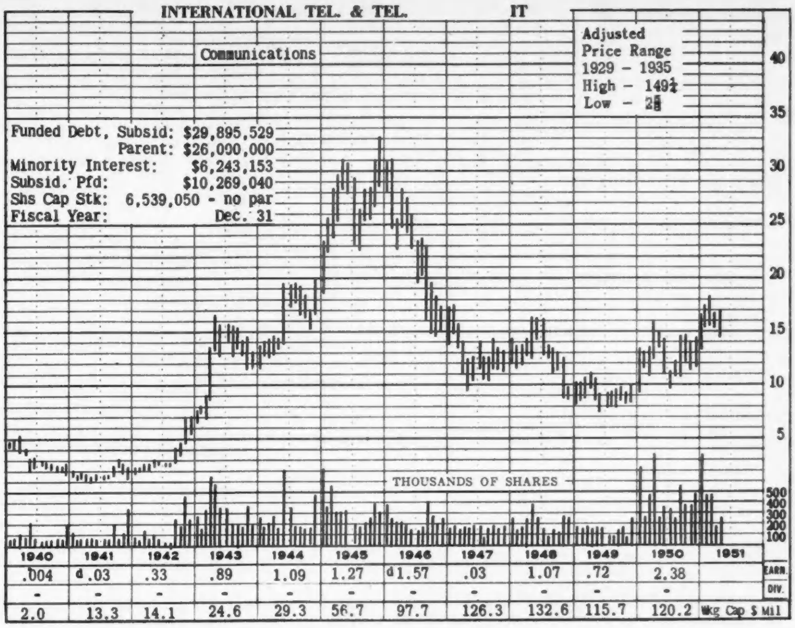
† Includes Federal, Foreign and other taxes.
* Includes subsidiary dividends, amortization, minority interest and parent co.'s interest charges.
(d) Deficit.

1 Declared or paid to July 18, 1951, plus stock dividend of 5 shares for each 100 shares held.
2 To June 28, 1951.

prehensive railroad telephone installation in the world.

Mention should also be made of the improvement in the affairs of its unafilliated subsidiary, the American Cable & Radio Corp., of which I. T. & T. owns 58%. A dividend was paid late in 1950 to the parent company and continued in 1951. While I. T. & T.'s investment in American Cable & Radio is now proving moderately profitable for the first time in some years, much further improvement in the near future is not expected. American Cable is handicapped by high operating costs, mainly as a result of an unwieldy wage situation and severe competition by other companies operating in the field.

There has been some discussion of amalgamation between these companies, in which case a marked saving in costs would accrue, but to this date nothing along this line has transpired. If the duplication of plant and service characteristic of present operations in this industry could be eliminated or controlled, results would be much more satisfactory. In this case, of course, I. T. & T.'s investment in this company would prove far more productive.



Of great interest to I. T. & T. stockholders, of course, is its enormous foreign manufacturing subsidiary, International Standard Electrical Corp. Actually, this company is now a subsidiary of Federal Telephone, having been transferred from the parent company in 1948. It is a holding company for the foreign manufacturing and sales companies, handles the export business of I. T. & T., and is a worldwide organization of its own.

For example, International Standard's foreign manufacturing subsidiaries operate in Great Britain, Holland, Denmark, Italy, Austria, Sweden, Norway, Belgium, France, Portugal and Spain; also in Argentina, Brazil and Chile as well as in Australia. Its properties in Eastern Europe and China have been sequestered by the communist governments there.

1950 Results of International Standard

Consolidated net sales of International Standard were 159 million in 1950 as against 172.9 million in 1949, the decline being due principally to the devaluation of European currencies which took place in 1949. Orders in hand stood at about 173 million compared with 160 million the year previous. It is expected that 1951 net income will be close to last year's figure of 6.5 million but this could not compare favorably with the 1949 earnings of 9.5 million and the 7.4 million of 1948.

As intimated previously, this decline does not arise from a drop in business but from currency devaluation. In this regard, there has been some agitation abroad in recent months for an upward revaluation of sterling, in which case an increase in the company's profits would be automatic. Such an upward revaluation is however doubtful.

Coming to the parent company, International Telephone & Telegraph Corp., we find that its statement gives only a limited picture of earnings and financial position, since the bulk of the corporation's assets and earning power lies in the hands of the consolidated subsidiaries. However, since common stock dividends are paid by the parent company, it is important to note the latter's income account.

Parent Company Earnings

In 1950, net income amounted to $4,140,962 compared with $1,858,977 for 1949. This increase in reported income was made possible chiefly through receipt of dividends from Federal Tel., Capehart-Farnsworth and American Cable & Radio. Receipt of these new dividends in addition to normal profits from management and service fees permitted the present company to establish the 15-cent quarterly dividend.

Contribution of parent company earnings are not deemed especially material to the over-all consolidated account. It is the financial position of the consolidated companies which require special attention. Consolidated earnings for 1950 were $15,557,-339 against $4,685,877 for the year 1949. On a per share basis, this amounted to $2.38 and 72 cents, respectively. This great improvement was largely due to Federal Telephone's sharp reversal from a heavy loser to a moderate earner. In addition, the other domestic subsidiaries showed considerable improvement. This trend has continued into 1951. Earnings in the first quarter this year were $4,136,256 against $2,064,045, or on a per share basis, 63 cents compared with 32 cents.

Recovery should be further extended in 1951. The consolidated order backlog at the end of 1950 was stated at $278 million against $202 million for 1949, the increase being largely due to contracts from the government for various military needs. In 1950, on sales of $216.9 millions, the consolidated companies earned a profit of 7.1% of sales, one of the highest ratios in its history, much of this being due to economies in administration (*Please turn to page* 424)

SOFT DRINKS

Seasonal or Basic Improvement?

★

By GEORGE W. MATHIS

Shackled by the traditional nickel price tag, the soft drink industry has struggled to make both ends meet while other manufacturers have prospered in recent years. Failure to follow the lead of other industries in raising prices or of reducing the size of products has not been due to consumer resistance so much as to keen competition in the trade. In many markets, cola drinks and soda command prices of 6, 7 or 10 cents, but there has been no general markup of importance at the wholesale level. Maintenance of the widely advertised 5-cent standard appears to reflect fundamental policies of the leading cola producer.

Notwithstanding discouraging financial results in postwar years, however, the long term outlook for the soft drink industry is anything but bleak. All indications point to a sharp uptrend in growth factors and to satisfactory profits if ways and means can be found to combat rising costs. Trade authorities feel that the rigid 5-cent ceiling cannot much longer be enforced and that once the public becomes accustomed to a reasonable advance in price—say, to 7½ cents or 10 cents a bottle—normal earning power can be restored.

Two fundamental factors are promising—rising purchasing power and growth in population. Consumption of beverages, as well as candy and chewing gum, normally follows the trend of national income. As a matter of fact, the popularity of beverages has more than kept pace with the growth of purchasing power. So-called "impulse sales" of soft drinks have been stimulated by more efficient methods of distribution and by promotional efforts. Consumption in mills and factories where hundreds of thousands of workers are employed has steadily grown. Sales have been encouraged in these plants by installation of vending machines and canteens. Many plants have introduced periodic rest periods of 10 or 15 minutes in the forenoon and in the afternoon to permit workers to enjoy a short relaxation. This practice has spurred sales of soft drinks and candy bars.

Because per capita consumption of soft drinks reaches its highest rate among youngsters in their early teens, it is important to take into account the rapid birth rate in the last decade. A tremendous increase in the number of children reaching the ages of 10 to 12 is in prospect in the next few years. In fact, with the nation's population growing at an estimated rate of 200,000 monthly and expected to reach 155 million by the end of 1951, it is apparent that the soft drink industry is coming face to face with a rapidly expanding market.

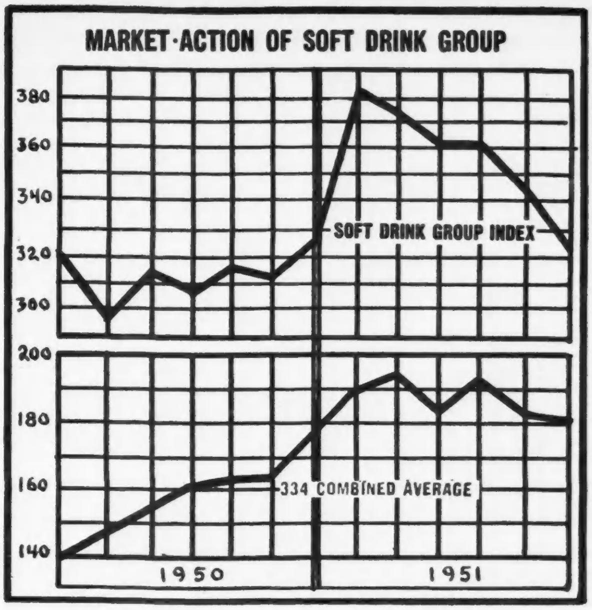
Moreover, consumption of carbonated beverages is experiencing a continued growth among mature individuals who learned to enjoy beverages in childhood. Records indicate that per capita use has moved steadily higher for more than a quarter of a century except for a short interval during the depression days of the 1930's and for a short time while sugar supplies were scarce in World War II. Bottled drinks as we know them today are only 40 or 50 years old. Until the first World War, consumption was comparatively small. Great popularity of Coca-Cola in the South in the first decade of this century—and especially during the war, when many troops trained in the South—gave impetus to the industry.

Cost Factors

Inasmuch as most soft drinks are composed of about 5 per cent sugar and flavoring and 90 to 95 per cent of water, raw materials costs are comparatively small. Principal costs are distribution and advertising. Costs of bottles, crowns, cases and other supplies have risen sharply in recent years. Truck

deliveries and freight charges have really soared with the result that profit margins have dwindled.

In an effort to counteract mounting expenses, many companies have turned to distribution through so-called automatic cup dispensers and in soda fountains. While volume has grown in these outlets, results have not proved altogether satisfactory. Bottle dispensers and cup vending machines require costly servicing operations. Moreover, flavored soda sales have made little headway in these newer outlets because their chief market appeal is to youngsters who prefer bottle consumption—especially at home. Thus sales of fruit flavors, orange soda, etc., depend in large measure on carton sales in groceries.



Keen Competition Among Bottlers

Inasmuch as no great skill is required in establishing a beverage plant and capital needs are comparatively limited, competition has been keen. Manufacturing processes are simple and bottling equipment is standard in most plants. Since trucking and other distribution costs are substantial, the business tends to be local in nature. National brands carry some weight, but fruit drinks are all about the same, while cola drinks and ginger ale flavors vary but little. Consequently, price is an important factor in retail distribution. This means that local bottlers of private brands usually represent strong competition. Coca-Cola is the only major bottler who has been able to offer effective competition on a national basis. Canada Dry Ginger Ale has done a good job in undertaking national distribution of ginger ale, but high freight and trucking costs have imposed serious handicaps.

Inasmuch as operating results have been generally unsatisfactory, it is not surprising that representative soft drink stocks have behaved worse than average in the last three or four years. In appraising prospects for the industry, it may be well to review basic facts and figures of several companies to see what has been taking place. Supporting these comments is a compilation of relevant statistics.

Of total soft drink shipments last year estimated to have exceeded $1 billion, probably 50 to 60 per cent constituted cola drinks. The largest factor in this group with sales of $215.4 million was Coca-Cola Company, whose shares have been in a broad declining trend for five years. The stock recently has been selling at about half its 1946 peak of 200. Skepticism may be attributed to doubt over management's ability to maintain satisfactory earning power and develop broader markets without permitting bottlers to raise wholesale prices so that the bottle at retail may command more than 5 cents.

Coca-Cola's sales volume reached a peak in 1948 at $234.9 million in response to an upsurge in demand after sugar supplies became plentiful so that full advantage could be taken of enlarged markets that previously had been served by competitors. Volume tapered slightly in 1949 and again last year. 1950 net operating income dropped about 14 per cent as a result of a decline in sales of slightly less than 7 per cent and an increase in costs of raw materials. Net income on (*Please turn to page* 425)

Statistical Data on Leading Soft Drink Companies

	Net Sales 1st Quar. 1951 (Millions)	Net Sales 1950 (Millions)	Pre-Tax Margin 1st Quar. 1951 %	Operating Margin 1950 %	Income Taxes 1st Quar. 1951 (Millions)	Income Taxes 1950 (Millions)	Net Income 1st Quar. 1951 (Millions)	Net Income 1950 (Millions)	Net Per Share 1st Quar. 1951	Net Per Share 1950	Recent Price	Div. 1950	Div. Yield
Canada Dry	$28.9[1]	$54.4[2]	9.8[1]%	10.0%	$1.8	$2.2	$1.0[1]	$3.1[2]	$ .48[1]	$1.56[2]	11¾	$ .95	8.0%
Coca-Cola	44.3	215.2	22.3	25.8	5.2	24.9	4.6	31.8	1.08	7.41	112	5.00	4.4
Dr. Pepper	1.5	6.8	14.8	15.5	.1	.4	.1	.6	.18	.86	10¾	.60	5.5
Hires (Chas. E.)	2.6[1]	7.5[2]	......	8.2	......	.2	(d) .08[1]	.4[2]	(d) .19[1]	1.05[2]	12⅞	1.00	7.8
Liquid Carbonic	19.1[1]	36.0[2]	7.4[1]	9.1	.6	1.3	.8[1]	2.4	.78[1]	2.43	18¼	1.25	6.8
Nehi Corp.	2.1	10.2	11.6	18.3	.1	.7	.1	.8	.12	.84	10	.70	7.0
Pepsi-Cola	9.1	40.1	2.2	7.3	......	1.6	.06	1.6	.01	.28	9⅛	......	....

[1] 6 months ended Mar. 31, 1951.

[2] Year ended Sept. 30, 1950.

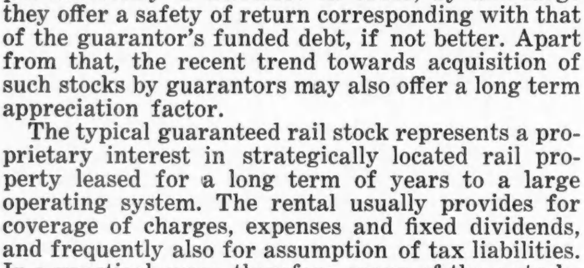
Safety in Guaranteed RAIL STOCKS

By J. S. WILLIAMS

Though not widely appreciated by individual investors, railroad guaranteed (leased-line) stocks deserve consideration when in search for larger yields consonant with a high degree of safety. While such securities vary considerably in quality and proper selectivity is therefore in order, by and large they offer a safety of return corresponding with that of the guarantor's funded debt, if not better. Apart from that, the recent trend towards acquisition of such stocks by guarantors may also offer a long term appreciation factor.

The typical guaranteed rail stock represents a proprietary interest in strategically located rail property leased for a long term of years to a large operating system. The rental usually provides for coverage of charges, expenses and fixed dividends, and frequently also for assumption of tax liabilities. In a practical sense, therefore, many of these stocks are comparable to high grade bonds, yet they afford exceptionally good yields, and these factors have long been exploited to advantage by a limited but sophisticated group of investors including life insurance companies, college trust funds and various fiduciary institutions. Needless to say, their attraction is not limited to such groups. Individual investors, too, can benefit from the advantages offered by this type of security.

Railroad guaranteed stocks are the result of our national railroad development. In the history of American railroad expansion, financing and consolidation, the leasing of smaller independent roads by major trunk lines has played an important part. Railroad development has been a long process of unification and amalgamation, entirely distinct from growth through new construction. Most of the important eastern trunk lines were built up through integration of small, complementary rail properties by means of lease agreements whereby a large operating system (the lessee) would acquire the use of the smaller company's properties (the lessor) for a long period of years and sometimes in perpetuity.



The typical guaranteed rail stock therefore represents ownership of real property, but with the holder occupying the position of landlord rather than creditor. The rate of return is usually fixed (apart from possible corporate income tax deductions) and for a very long period. And the investment is, with very few exceptions, non-callable. Dividends are payable just like bond interest and irrespective of earnings, and failure to meet the annual lease rental would constitute an act of default and could result in bankruptcy for the guarantor system.

Excellent Investment Record

The average age of existing leases is estimated at sixty years. During this period, the validity of the great majority of them has never been seriously questioned or successfully challenged. Tested through periods of war, depression and wholesale railroad receiverships, the better grade guaranteed rail stocks established for themselves a high degree of investment prestige. Where roads have gone through reorganization, those guaranteed stocks whose property was of major importance and showed high independent earning power remained undisturbed whereas in contrast, interest on the lessee's bonds was usually discontinued with bondholders suffering a substantial loss.

The basic reason for this outstanding showing is not only the legal obligation inherent in the guaranty but the strategic location and virtually indispensable nature of many leased properties which give guaranteed stocks a well-defined intrinsic value. That's why many guaranteed rail stocks are often preferred to bonds of comparable quality. For it is argued that even should the tenant road be placed in receivership or fall under court jurisdiction under bankruptcy law, there is every reason to believe that the lease would remain inviolate, provided the property is a vital section of the system of location,

terminal facilities afforded, its capacity as an originator of traffic or a connecting carrier, or its demonstrated earning power.

Thus in evaluating guaranteed rail stocks, one of the primary criterions is the value of the property in terms of individual earning power and its strategic importance to the operating company. Other important determinants are the terms of the lease or contractual agreement, and the earning power and credit standing of the tenant or guarantor road.

Many Basic Advantages

Altogether, numerous basic advantages may be cited in favor of guaranteed rail stocks. Their position is further strengthened by current and prospective high level rail traffic which is resulting in excellent railroad earnings generally. Another interesting point is that guaranteed stock dividends, the same as bond interest, are a deductible expense before determination of income and excess profits taxes. EPT consequently will have no effect on guaranteed stock dividends, in contrast with ordinary common stocks which as a class could be materially hurt by the impact of higher taxes including EPT.

The picture of course is not entirely one-sided; there are also certain drawbacks. Because of the relatively small amounts of stock outstanding and the fact that the shares as a rule are closely held, the market tends to be thin. A number of guaranteed stocks are listed on the New York Stock Exchange and elsewhere but even among the listed issues, "over-the-counter" transactions are much more frequent and there usually is a spread of several points between bid and asked prices. The stocks thus are hardly desirable for trading purposes.

Another point is that it is sometimes not easy to determine whether a given dividend is to be considered fixed or open to possible variation, in view of unsettled points regarding the liability for corporate income taxes applicable to the rental income of lesser companies. This point does not apply, of course, where there is precise stipulation in the lease, in this respect, as is frequently the case.

Generally in the past, prices and yields of guaranteed rail stocks have tended to move more or less with those of railroad bonds though consistently affording higher yields than bonds of equal quality. Because of this, many such stocks are excellent media for the employment of long term investment funds on an income basis. In the appended tabulation, we have listed a number of guaranteed rail stocks which appear attractive for this purpose. In the following, we shall discuss some of these situations in some detail.

A Perpetual Lease

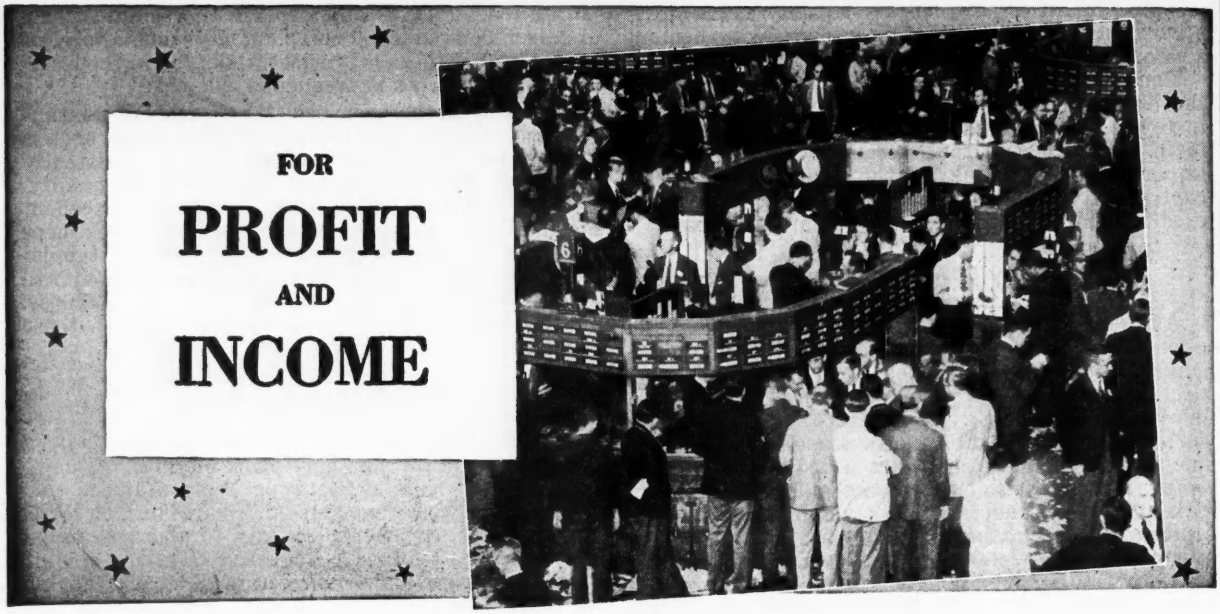
Allegheny & Western Railway $6 Guaranteed Stock: This lessor company owns 60 miles of main-line railway running between Punxsutawney and Butler Junction, Pennsylvania, with branch lines bringing the total owned mileage to about 75 miles. The main line section provides the Baltimore & Ohio system with a valuable connection for traffic moving between Pittsburgh and Buffalo or Rochester, and for coal traffic originating in the Clearfield region, thus has substantial strategic value. Traffic is fairly heavy, indicating ample coverage of the $6 dividend on the stock of which 32,000 shares are outstanding.

The Allegheney & Western was leased in 1898 in perpetuity to the Buffalo, Rochester & Pittsburgh, with rental payments providing for bond interest, *taxes*, organization expenses and a $6 annual dividend on the stock which is guaranteed by endorsement. These guaranteed dividends are in effect a part of the Baltimore & Ohio's fixed charges as a result of an agreement whereby B. & O. operates the Buffalo, Rochester & Pittsburgh. This agreement under the terms of B. & O.'s 1944 debt adjustment plan cannot be (*Please turn to page* 422)

Statistical Data on Guaranteed and Leased Line Railroad Stocks

Guaranteed or Leased Line Stock	Guarantor or Lessee System	Par Value	Shares Outstanding 12/31/50	Lease Expires	Approximate Div. Dates†	Div. Rate	Recent Asked Price**	Current Yield*	5 Year Price Range 1946-50
Allegheny & Western Ry.	Balt. & Ohio[2]	100	32,000	[3]	JJ 1	$ 6.00	94	6.3%	114 - 83
Boston & Albany R.R.	N. Y. Central	100	250,000	1999	(Q)M31	8.75	122	7.1	150 -100
Canada & Southern Ry.	N. Y. Central	100	150,000	2903	FA 1	3.00	45	6.6	58 - 35½
Carolina, Clinchfield & Ohio Ry.	Atl. Coast Line—L.&N.	100	250,000	2922	(Q)J20	5.00	109	4.5	137 - 99¾
Cleveland & Pittsburgh R.R., Capital	Pennsylvania	50	224,581	2870	(Q)M 1	3.50	72	4.8	106 - 61¼
Delaware & Bound Brook R.R.	Reading	25	72,000	2869	(Q)F20	2.00	43	4.6	57 - 38
Georgia Railroad & Banking Co.	Atl. Coast Line—L.&N.	100	42,000	1980	(Q)J15	7.00[1]	137	5.1	175 -131
Mobile & Birmingham R.R. Pfd.	Southern	100	8,976	1998	JJ 2	4.00	83	4.8	96 - 64
Northern Central Ry.	Pennsylvania	50	628,675	2910	JJ15	4.00	81	4.9	117½- 75½
Norwich & Worcester R.R. Pfd.	New Haven	100	30,000	1969	(Q)J 1	8.00	122	6.5	175 -103
Pittsburgh, Ft. Wayne & Chi. Ry. Pfd.	Pennsylvania	100	197,188	2868	(Q)J 5	7.00	163	4.3	212 -156
Providence & Worcester R.R.	New Haven	100	35,000	1991	(Q)D31	10.00	155	6.4	215 -128
United New Jersey R.R. & Canal	Pennsylvania	100	212,404	2870	(Q)J10	10.00	227	4.4	298 -236
West Jersey & Seashore R.R.	Penna-Reading (Seashore Lines)	50	231,729	2929	JJ 1	3.00	51	5.8	85¼- 47

†—Quarterly or semi-annual dates.
*—Based on Asked Price.
(Q)—Quarterly.
[1]—Current rate.
[2]—Leased in 1898 to the Buffalo, Rochester & Pittsburgh. Guaranteed dividends are a part of Baltimore & Ohio's fixed charges and subject to the agreement whereby the latter road operates the Buffalo, Rochester & Pittsburgh.
[3]—Leased in Perpetuity.
**—Quotations courtesy of Adams & Peck, New York.



Support Levels

The pattern of the Dow-Jones rail average is a succession of declining tops and bottoms from the February bull-market high of 90.08. The average is down to about 72 as this is written, with speculative sentiment on rails as bearish is it was bullish late last year and earlier this year when the group, and war-baby issues generally, were pacing the market rise. The next support level of any significance, as indicated by the chart, is the reaction low of 66.92 made last December 4. The chances that it will hold are not good, for what is in process is not a bull-market reaction, but a downtrend of importance even though its limit may not be extreme. The industrial average made lows of 243.95 in mid-March and 245.27 on May 25. However, the latter came after a bull-market high recorded May 3 at 263.13. So it was the technically significant support level on the latest decline. However, the distinction is immaterial, for both the May and March lows were broken within a few days after the Korean cease-fire moves were launched. There may be support somewhere in the 240-230 zone; but the technically significant chart level, still some distance away, is the reaction low of 222.33 of early last December.

Groups

As would be expected, war-stock groups have fallen more sharply in the recent soft market than peace-stock groups, although most of the latter have also met selling. As would also be expected, good-grade stable-dividend stocks and growth stocks have fared much better than cyclical-type and radically speculative issues. Groups which have fallen to new 1951 lows, as of this writing, include aircraft, automobiles, confectionery, soft drinks, coppers, meat packers, packaged foods, printing and publishing, rail equipment, retail trade, shipbuilding, steel, shoes, soaps, woolen goods and tobacco. Groups holding up fairly well so far are utilities, finance companies, can makers, dairy products, oils, video stocks and rayon.

Stocks

The individual stocks which have fallen to new lows for 1951 or longer, in recent days preceding this writing, are too numerous for citation. There is at least news interest in the small minority which have been able to record new highs in a decidedly soft market. They include Dow Chemical, Glidden, Outlet Company, Hooker Electro-chemical, Food Machinery, American Viscose, Minneapolis - Honeywell, Pennsylvania Salt, Rayonier, and Spear.

Long Term

If you had bought stocks at average 1935-1939 prices, you would have fared worst, as of today's prices, in the gold-mining group; and next worst, in order, in cigarette stocks, metal containers, soft drinks, rail equipment, anthracite coal, finance companies, printing and publishing, and shoe manufacturers. On the same basis, you would have fared best in the following groups,

INCREASES SHOWN IN RECENT EARNINGS REPORTS

		1951	1950
Champion Paper & Fibre	Year March 31	$9.20	$7.55
Denver & Rio Grande Western	5 mos. May 31	5.21	.11
Ex-Cell-O Corp.	6 mos. May 31	3.07	2.69
Seaboard Air Line R.R.	5 mos. May 31	4.78	3.89
Hooker Electrochemical	6 mos. May 31	2.13	1.88
Mueller Brass Co.	May 31 Quar.	1.25	.85
Atch., Topeka & Santa Fe Ry.	5 mos. May 31	8.29	6.39
Wyandotte Worsted	May 31 Quar.	.32	.21
Bulova Watch Co. Inc.	Year March 31	6.02	5.49
Electric Bond & Share Co.	12 mos. Mar. 31	1.01	.64

which are arranged in order of percentage advance since prewar from largest to smallest gain: rayon stocks, paper, distillers, shipping, fertilizers, bituminous coal, tires, air lines and cotton goods. These are at levels ranging from roughly 490% to 202% over their 1935-1939 averages. For some time the outstanding investment favorites have been none of these, but oils, which stand 180% above their 1935-1939 level; ethical drugs, now 144% up from prewar; and chemicals, for which the figure is 140%.

Sell 'Em

In the case of stocks of companies which have highly unimpressive prospects, without the stimulus of war or rearmament, it does not make too much difference what 1951 earnings may be. The war-babies were among the first stocks to top out and have lost such speculative allure as they had earlier. On the basis of clear warnings in market action and unpromising normal prospects, it is the notion of this column that present sellers of aircrafts, rails, rail equipments, shipbuilding stocks and of secondary non-ferrous metals stocks (those of high-cost producers) will have no reason to regret it over a period of time, regardless of possible interim rallies which are always highly uncertain in timing and scope.

Oil Reserves

Proven underground reserves of crude oil owned by the various oil companies indubitably constitute stored wealth, which is worth a great deal of money. But how much it is worth, or will be worth, is a moot point. For one thing, reserve estimates are necessarily rough. For another, there is no fool-proof basis of valuation; for oil prices fluctuate rather widely over the years, and profits per barrel produced vary considerably from time to time. Again, oil reserves would be worth more if it were certain they could be permanently maintained through new discoveries. Analysts generally use arbitrary valuations of 50 cents a barrel, which is well under the current market price. On that basis, study of oil reserves per share of stock may be fascinating – but of scant value to the investor, for the differences are largely allowed for in differing stock prices. Moreover, stocks of crude producers tend habitually to sell well under reserve values, due to the uncertain long-term profits derivable therefrom.

Companies

Some of the largest reserves per share of stock are: Superior Oil (California) 710 barrels, Amerada 253 barrels, Standard Oil (New Jersey) 215 barrels, Gulf Oil 167 barrels, Seaboard Oil 163 barrels and Cities Service 162 barrels. This is for the Western Hemisphere. If you add in mid-East holdings, Gulf comes out to an estimated total of 607 barrels a share, second only to Superior Oil; and New Jersey to a total of 330 barrels a share. But to show how it irons out in the market, reserves per $1 of market price of the stocks, amount in barrels to an estimated 1.4 for Amerada, 1.8 for Superior Oil, 1.8 for Cities Service, 1.8 for Gulf and 2.1 for Jersey. (In the latter two instances the estimates are for Western Hemisphere reserves only).

Phillips

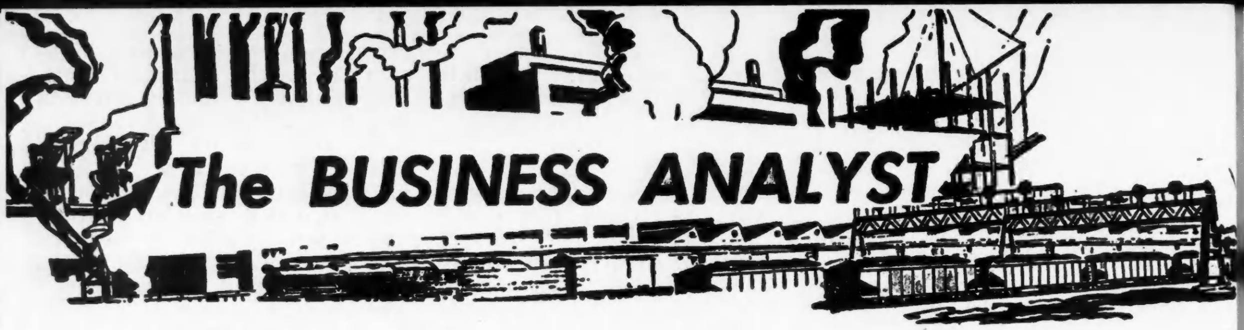
Speaking of oils, Phillips Petroleum is one of the best; and well worth considering for investment purchase on moderate recessions in its price, which at this writing is around 83, against 1951 high of 87⅞ and earlier 1951 low of 76⅛. (A 2-for-1 split will be effective July 21). The company is a low-cost oil producer and refiner, with an efficient, compact marketing system; is the biggest producer of natural gasoline; also the biggest producer of natural gas and the biggest owner of gas reserves; it is a large producer of carbon black; and it has a growing chemical division. It is estimated that non-oil activities account for something like 40% of total earnings; and their growth rate suggest an even higher ratio in the course of time. The company's major interests are, and will remain, domestic, aside from possible development of crude reserves in western Canada. The present crude reserve position, and production position, are strong relative to refinery needs. On the stock-split basis, Phillips will probably earn somewhat more this year than 1950's $4.23 a share, is priced at less than 10 times this earning power, and yields roughly 6% on the widely covered indicated annual dividend rate of $2.40. The latter appears to be the minimum for the foreseeable future, and subject to eventual increase.

Utility Taxes

The House has voted repeal of the long-standing 3⅓% Federal excise tax on the gross revenues of electric power companies stemming from residential and commercial business. Since the object is to correct a glaring discrimination – the tax does not apply to Federal, state or municipal electric plants – there is a good chance that this change will be approved in the Senate. The net annual saving for the industry figures to be in the vicinity of $50 million. That would fall well short of balancing the impact of a boost in the regular corporate tax rate to 52%, as provided in the House bill, on an over-all basis. But in the case of utilities with heavy residential-commercial loads it can be either a major or full offset to probable higher corporate rates. That is so for Boston Edison, Commonwealth Edison, Consolidated Edison, Florida Power, Long Island Lighting, Public Service Electric, and Southern California Edison, to name only some of the chief beneficiaries.

DECREASES SHOWN IN RECENT EARNINGS REPORTS

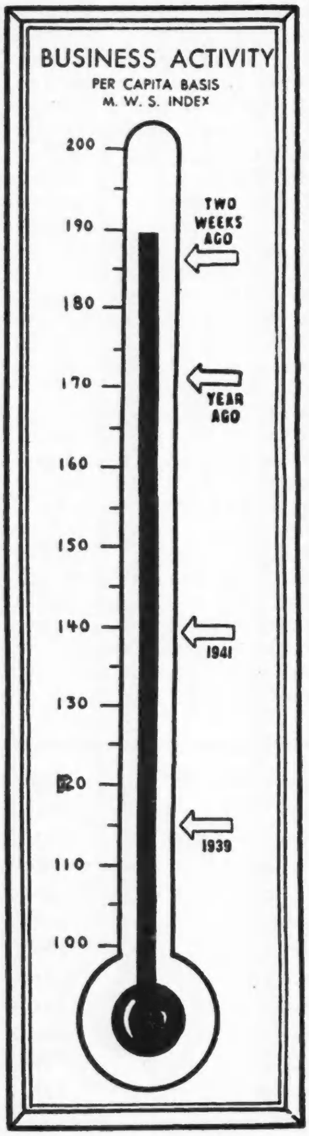
		1951	1950
Consolidated Gas of Balt.	5 mos. May 31	$ .88	$ .97
Wesson Oil & Snowdrift Co.	9 mos. June 2	3.03	4.07
Avco Mfg. Corp.	6 mos. May 31	.61	.67
Kelsey-Hayes Wheel	May 31 Quar.	2.13	2.67
Bangor & Aroostook R.R.	5 mos. May 31	3.57	9.29
Atlantic Coast Line R.R.	5 mos. May 31	5.45	7.49
Beatrice Foods Co.	May 31 Quar.	.50	.67
Murray Corp. of America	9 mos. May 31	5.52	6.05
South Carolina Elec. & Gas	5 mos. May 31	.29	.39
McCord Corp.	9 mos. May 31	3.92	4.27



What's Ahead for Business?

By E. K. A.

Latest action of commodity markets which displayed marked weakness in the wake of the Korean cease-fire proposal, emphasizes the extent to which abatement of inflationary pressures could be expected if the fighting in Korea were ended. Cessation of the shooting war would probably mean — unless it is followed by new crises elsewhere — that defense expenditures would be spread over a longer period than hitherto contemplated so that peak military spending in any one year may not reach the high figure now anticipated. As a result, also, Treasury deficits during the period of peak spending would be correspondingly smaller. And quite probably, capital expenditures would be curtailed as the pressure to expand military output immediately is lessened. With defense requirements of essential raw materials eased, more would be available for civilian output, and civilian goods production would be larger than anticipated under the defense program. This certainly would greatly lessen any danger of a resumption of civilian scare buying later this year, if ever such a danger is a realistic prospect — which we are inclined to doubt.



Action of the markets at any rate indicates that a truce in Korea—even though mobilization will go on — could have marked deflationary effects on the economy. It certainly could effectively deflate the reasoning, until recently so popular, that the present lull in inflation may merely pave the way for price rises later. We could never quite see it that way, but now it's even harder to believe. Inflation may not be a dead duck but it's beginning to look like an awfully bedraggeled bird. It has reached that stage not just because of the "threat" of peace but because of the existence of strong deflationary factors in the economy, the force of which is perhaps not fully realized by many. Re-arming was to serve as an effective offset, or so it was expected. There are now legitimate doubts whether it will and can. Time will tell, but the shortage bogey, the inflation bogey apparently is no longer scaring any one. It has even ceased to scare Congress, as the legislator's attitude toward the control bill clearly indicates.

Thus the situation may well put the Administration on the spot. For in the long run, peace in Korea may raise about as many problems as it solves. Without the impetus supplied by a shooting war, the whole arms program may bog down in public apathy. Certainly controls to back it up will become highly unpopular, perhaps too unpopular to sustain. Even the tax bill might be threatened, watered down as it is in comparison with Administration proposals.

In some quarters, a parallel is drawn between the current retail sales picture and that of the 1940-41 period, and attention called to some interesting similarities in the sales pattern then and now. Similarities do exist, and were the parallel to continue, a new surge in consumer buying would be indicated after the turn of the year.

Historical parallels in economics are never a reliable guide. In the present instance, the major difference between the 1941 period and today is that the end of 1941 saw the beginning of total mobilization and the complete stoppage of civilian durable goods production. We face no such thing today. Consumer goods production will remain high despite cutbacks, and may actually be higher than presently foreseen if the Korean war is ended.

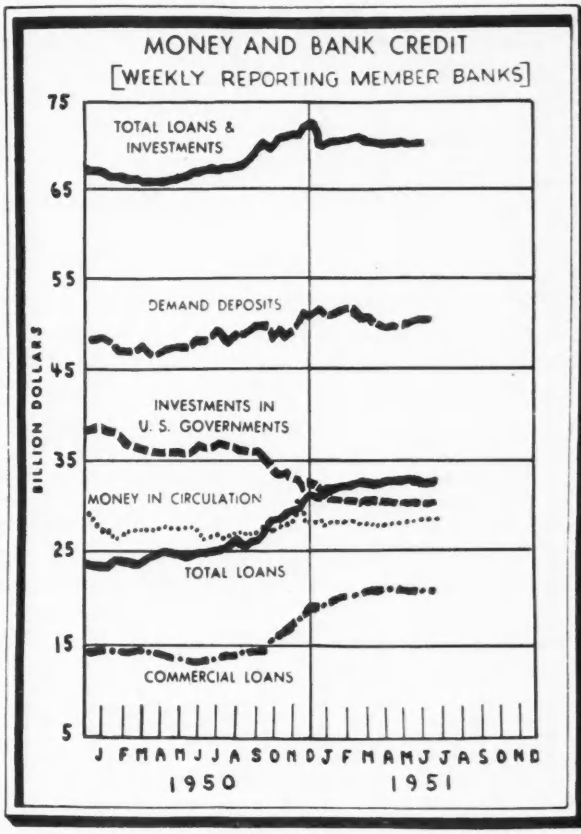
Nor would it be realistic to fall back on the argument that's been built up around "high consumer income." It is high and may even rise somewhat further, but this is effectively counteracted by high living costs, rising taxes and high individual debt which must be paid off. Between these three factors, an astounding number of consumers, despite high incomes, manage no more than to break even, if not worse. And in this condition, they are not likely candidates for another big buying wave.

Similarly, much is made of the huge amount of individual savings but much of them are not in liquid form. Payments on mortgages and instalment debt are considered "savings" for statistical purposes but certainly they are not the type to support civilian demand. Rather they have the opposite effect. Last but not least . . . how about incentive? It could be provided only by markedly lower prices once fear of shortages has disappeared. If that should eventuate, consumer buying would doubtless pick up.

The Business Analyst

HIGHLIGHTS

MONEY AND CREDIT—The 1951 fiscal year ended on June 30 with the Government running about $3.5 billion in the black, the second biggest surplus in history but far short of the record $8.4 billion surplus of fiscal 1948. With the Treasury's cash balance on June 27 close to $7 billion due to heavy June tax payments, Secretary Snyder nevertheless saw fit to raise new money, apparently in expectations of heavy third quarter deficits. The Treasury invited bids for $1.2 billion of ninety-one day bills to be issued on July 5. This offering will pay for $1 billion of similar securities which fall due on that day and will provide $200 million of "new money." These short term bills can be sold without propping up the bond market so the Federal Reserve will be free to continue open market sales of governments to counteract any inflationary effect of the bill offering. Higher taxes may give a boost to the tax-exempt bond market. The House version of a new tax bill raising the corporate normal plus surtax rate to 52% would reduce the tax-free equivalent yield on Treasury 2½s of September 1972-67 to 1.28% against a tax-exempt yield of 1.60% on a prime obligation like the New York State 2¼s of March 1968. Commercial and industrial loans of member banks stood at $19.22 billion on June 20 against $19.09 billion the week before and $18.99 billion on June 6. The Federal Reserve Board reported that some $67 million of the loan increase in the week ending June 13 was for defense-supporting activities. Confirmation of the trend toward higher interest rates appeared with the sale of $17 million of Appalachian Electric Power Co. 3¾% first mortgage bonds at 102¼ to yield better than 3.65%. These bonds are comparable to the Georgia Power 3½s sold early in June at a 3.4% yield, while the Duke Power 3¼s of 1981, also of similar quality was sold in mid-April to yield 3.15%.



TRADE—Retail sales appear to be holding at the lower levels that prevailed in May. Although department stores in the week ending June 23 were able to better year-ago figures by 6%, the 1950 week was one of slow business. The prospects of peace in Korea have some retailers jittery and price cuts continue to feature sales promotions.

INDUSTRY—The Federal Reserve Board's seasonally adjusted index of industrial production held unchanged during May at 223% of the 1935-1939 average, against 195% a year ago. However, easing continued in certain non-defense industries. Thus the auto production index was down to 250 from the March high of 259 while that for furniture production stood at 175, unchanged from a year ago and way below this year's high of 196. On the other hand, defense-supporting industries are holding well with output of industrial chemicals at 536 against 443 a year ago, and machinery production at 334 versus 258 in May 1950. The Board found that total production in the first three weeks of June continued at the May level. On the other hand, the darker side of the industrial picture was stressed by the National Association of Purchasing Agents who reported that business conditions continued to worsen in June with a decline of backlogs and production prevalent in many lines.

COMMODITIES—The progress of peace moves in Korea was concomitant with a continued decline in commodity markets this past fortnight. The Bureau of Labor Statistics index of 28 spot commodities fell to 339.3 on July 2 against 350.2 two weeks earlier. The drop was aggravated by the 14 cent cut in the government's price for rubber. This is reflected in the component of the index represented by imported commodities which was down to 353.6 from 371.8 on June 18, while domestic products fell 6.6 points to 330.3 in the two week period.

COTTON consumed by the nation's mills in May averaged 42,698 bales per working day which was higher than April's 39,766 bales daily. However, the data for the April period were distorted by mill strikes. May consumption was also sharply above the consumption of 35,941 bales per working day for the same month last year. For the ten months through May, total consumption of 9,065,073 bales compares with 7,402,142 bales a year earlier.

NEW CONSTRUCTION in May was valued at $2.52 billion versus $2.37 billion in April and $2.28 billion in May 1950.

(*Continued on the following page*)

Essential Statistics

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
MILITARY EXPENDITURES—$b (e)	May	2.43	2.16	1.06	1.55
Cumulative from mid-1940	May	416.4	414.0	376.2	13.8
FEDERAL GROSS DEBT—$b	June 27	254.4	254.4	256.5	55.2
MONEY SUPPLY—$b					
Demand Deposits—94 Centers	June 20	50.9	51.1	48.0	26.1
Currency in Circulation	June 27	27.6	27.5	27.0	10.7
BANK DEBITS					
New York City—$b	June 20	13.1	10.3	9.7	4.26
93 Other Centers—$b	June 20	17.7	14.2	15.6	7.60
PERSONAL INCOMES—$b (cd2)	Apr.	244	243	214	102
Salaries and Wages	Apr.	162	161	135	66
Proprietors' Incomes	Apr.	48	47	40	23
Interest and Dividends	Apr.	20	20	18	10
Transfer Payments	Apr.	12	12	17	3
(INCOME FROM AGRICULTURE)	Apr.	20	19	15	10
POPULATION—m (e) (cb)	May	153.9	153.7	151.3	133.8
Non-Institutional, Age 14 & Over	May	108.8	108.9	109.0	101.8
Civilian Labor Force	May	62.8	61.8	62.8	55.6
unemployed	May	1.6	1.7	3.1	3.8
Employed	May	61.2	60.0	59.7	51.8
In Agriculture	May	7.4	6.6	8.1	8.0
Non-Farm	May	53.8	53.4	51.7	43.8
At Work	May	59.4	58.2	58.0	43.2
Weekly Hours, non-farm	May	41.9	41.5	41.3	42.0
Man-Hours Weekly—b	May	2.25	2.22	2.14	1.82
EMPLOYEES, Non-Farm—m (lb)	May	46.1	46.0	43.3	37.5
Government	May	6.4	6.3	5.9	4.8
Factory	May	13.0	13.1	11.8	11.7
Weekly Hours	May	40.6	41.0	39.9	40.4
Hourly Wage (cents)	May	158.5	157.9	144.2	77.3
Weekly Wage ($)	May	64.35	64.74	57.54	21.33
PRICES—Wholesale (lb2)	June 26	181.1	181.6	157.4	92.5
Retail (cd)	April	205.8	205.8	184.1	116.2
COST OF LIVING (lb3)	May 15	185.4	184.6	169.3	100.2
Food	May 15	227.4	225.7	199.8	113.1
Clothing	Apr. 15	204.0	203.6	184.7	113.8
Rent	Apr. 15	135.4	135.1	130.6	107.8
RETAIL TRADE—$b**					
Retail Store Sales (cd)	Apr.	12.0	12.4	11.1	4.7
Durable Goods	Apr.	4.0	4.3	3.7	1.1
Non-Durable Goods	Apr.	8.0	8.1	7.4	3.6
Dep't Store Sales (mrb)	May	0.86	0.85	0.82	0.39
Retail Sales Credit, End Mo. (rb2)	May	11.0	11.0	10.0	5.5
MANUFACTURERS'					
New Orders—$b (cd) Total	Apr.	23.8	28.6	17.2	14.6
Durable Goods	Apr.	12.5	15.5	7.9	7.1
Non-Durable Goods	Apr.	11.3	13.1	9.3	7.5
Shipments—$b (cd)—Total**	Apr.	22.4	23.4	17.2	8.3
Durable Goods	Apr.	10.6	11.0	7.5	4.1
Non-Durable Goods	Apr.	11.8	12.4	9.7	4.2
BUSINESS INVENTORIES, End Mo.**					
Total—$b (cd)	Apr.	68.3	66.5	52.9	28.6
Manufacturers'	Apr.	37.7	36.4	29.4	16.4
Wholesalers'	Apr.	11.7	11.4	9.4	4.1
Retailers'	Apr.	18.9	18.6	14.1	8.1
Dept. Store Stocks (mrb)	Apr.	3.0	2.9	2.3	1.2
BUSINESS ACTIVITY—1—pc	June 23	189.1	186.8	174.0	141.8
(M. W. S.)—1—np	June 23	220.6	218.0	203.5	146.5

PRESENT POSITION AND OUTLOOK

(Continued from page 415)

The only lagging component was residential construction which was down slightly to $848 million from April's $882 million. Non-residential private building totalled $433 million against $274 million a year earlier.

* * *

PAPERBOARD PRODUCTION of 1,128,200 tons in May topped April's 1,049,100 tons and was ahead of the 934,100 tons turned out a year ago. New Orders in May were above shipments and **UNFILLED ORDERS** at the end of the month stood at 658,722 tons, slightly ahead of April's 646,900 tons and far higher than the 395,000 ton backlog of a year ago.

* * *

Business men are planning to spend $6.42 billion on **NEW PLANT AND EQUIPMENT** in the second quarter of 1951 compared to outlays of $5.16 billion in the year's first quarter and of $4.33 billion in the second quarter of 1950, according to a joint survey of the Commerce Department and the Securities and Exchange Commission. For the first nine months of this year, the outlay is expected to reach $17.98 billion which would be 41% above the total for the same period in 1950.

* * *

BUSINESS FAILURES of 755 concerns in May were 9% more numerous than the April casualties although 14% below a year ago, according to compilations of Dun and Bradstreet, Inc. *Liabilities* involved in May failures rose to $23.5 million, the largest figure in over a year. In May 1950, failing concerns had liabilities of $22.9 million.

* * *

NEW PASSENGER CAR REGISTRATIONS in May were estimated at 467,000 units by R. L. Polk & Company. This is about the same as in April but under the 488,363 units registered in May 1950. **FACTORY SALES** of Passenger cars in May totalled 512,076 units versus 575,518 a year earlier.

* * *

Factory shipments of **MACHINE TOOLS** in the first half of this year just about doubled the results for the first six months of 1950 and it is expected that the second half of 1951 will again double the shipments for the first half of this year. This achievement would bring total 1951 shipments to about $700 million. June 30 **BACKLOGS** are estimated at $1,000,000,000 by the National Machine Tool Builders Association, which equals 20 months of shipments at current rates.

and Trends

	Date	Latest Wk. or Month	Previous Wk. or Month	Year Ago	Pre-Pearl Harbor*
INDUSTRIAL PROD.—1 np (rb)**	May	223	223	195	174
Mining	May	167	167	148	133
Durable Goods Mfr.	May	277	278	231	220
Non-Durable Goods Mfr.	May	198	198	181	151
CARLOADINGS—t—Total	June 23	833	826	810	833
Misc. Freight	June 23	394	395	382	379
Mdse. L. C. L.	June 23	75	75	82	156
Grain	June 23	46	46	51	43
ELEC. POWER Output (Kw.H.) m	June 23	6,835	6,734	6,102	3,267
SOFT COAL, Prod. (st) m	June 23	11.0	10.3	10.5	10.8
Cumulative from Jan. 1	June 23	256	245	225	44.6
Stocks, End Mo.	Apr.	72.1	71.4	37.6	61.8
PETROLEUM—(bbls.) m					
Crude Output, Daily	June 23	6.2	6.2	5.4	4.1
Gasoline Stocks	June 23	128	128	115	86
Fuel Oil Stocks	June 23	41	40	41	94
Heating Oil Stocks	June 23	63	60	51	55
LUMBER, Prod.—(bd. ft.) m	June 23	635	657	622	632
Stocks, End Mo. (bd. ft.) b	Apr.	6.3	6.3	6.4	12.6
STEEL INGOT PROD. (st) m	May	9.09	8.83	8.55	6.96
Cumulative from Jan. 1	May	43.6	34.5	39.0	74.7
ENGINEERING CONSTRUCTION AWARDS—$m (en)	June 28	317	207	288	94
Cumulative from Jan. 1	June 28	7,283	6,966	5,665	5,692
MISCELLANEOUS					
Paperboard, New Orders (st)t	June 23	174	196	209	165
Cigarettes, Domestic Sales—b	May	33	30	32	17
Do., Cigars—m	May	479	444	425	543
Do., Manufactured Tobacco (lbs)m	May	19	18	19	28

PRESENT POSITION AND OUTLOOK

CONSUMPTION OF NEW RUBBER in May totalled 110,926 long tons, 10.57% ahead of April's 99,754 tons, according to the report of the Rubber Manufacturers Association. Use of natural rubber at 43,152 tons was up 8.4% from April while the use of 67,144 tons of synthetic rubber was 12.01% better than in April.

* * *

NEW ORDERS FOR FABRICATED STRUCTURAL STEEL during May amounted to 267,355 tons, 20.7% below the April level but 12.6% ahead of last year, the American Institute of Steel Construction reported. **SHIPMENTS** totalled 233,087 tons and the **ORDER BACKLOG** on May 31 stood at 2,771,264 tons versus 1,106,888 tons a year earlier.

* * *

Output of **PORTLAND CEMENT** totalled 21,925,000 barrels in May 1951 versus 20,184,000 barrels a month earlier, according to the Bureau of Mines. May production was up 10% from the 19,941,000 barrel output a year ago, while mill shipments of 24,894,000 barrels increased 9% from May 1950. With May shipments topping production, mill **STOCKS** at the end of the month fell to 19,394,000 barrels compared to a 22,370,000 barrel inventory on April 30, 1951. At the end of May, 1950, stocks totalled 20,050,000 barrels.

b—Billions. cb—Census Bureau. cd—Commerce Dept. cd2—Commerce Dept., seasonally adjusted monthly totals at annual rate, before taxes. cdlb—Commerce Dept. (1935-9—100), using Labor Bureau and other data. e—Estimated, en—Engineering News-Record. I—Seasonally adjusted index (1935-9—100). lb—Labor Bureau. lb2—Labor Bureau (1926—100). lb3—Labor Bureau (1935—100). lt—Long tons. m—Millions. mpt—At mills, publishers, and in transit. mrb—Magazine of Wall Street, using Federal Reserve Board Data. np—Without compensation for population growth. pc—Per capita basis. rb—Federal Reserve Board. rb2—Federal Reserve Board, instalment sale credit and charge accounts. st—Short tons. t—Thousands. *—1941; November, or week ended December 6. **—Seasonally adjusted.

THE MAGAZINE OF WALL STREEET COMMON STOCK INDEXES

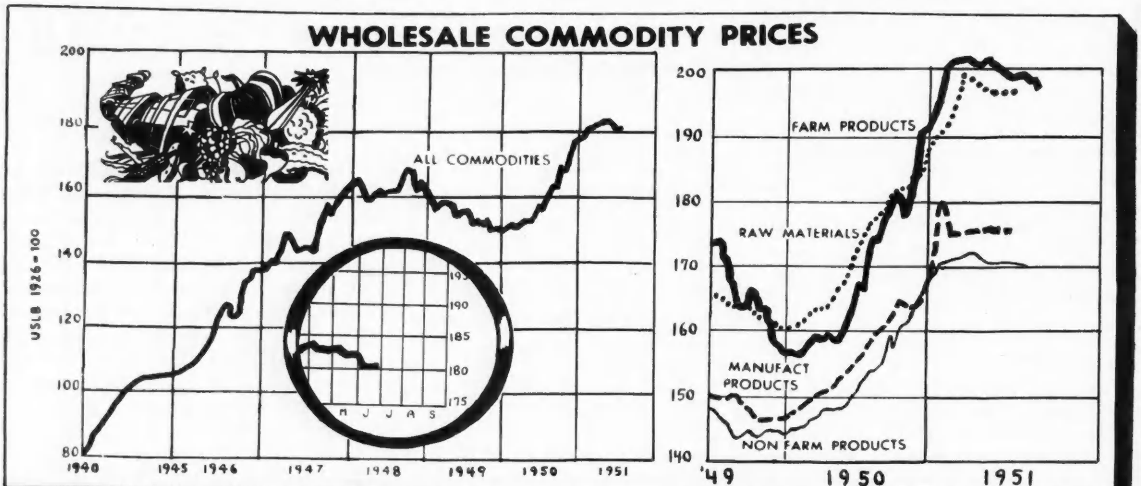
No. of Issues (1925 Close—100)	1951 Indexes High	Low	June 22	June 29
334 COMBINED AVERAGE	196.8	172.6	179.9	172.6Z
4 Agricultural Implements	292.7	246.5	261.3	246.5Z
10 Aircraft ('27 Cl.—100)	333.0	252.8	277.5	252.8Z
7 Air Lines ('34 Cl.—100)	764.7	634.0	679.8	634.0Z
8 Amusement	101.4	86.6	90.2	86.6Z
10 Automobile Accessories	257.6	216.2	227.7	216.2Z
11 Automobiles	46.3	36.1	38.2	36.1Z
3 Baking ('26 Cl.—100)	23.2	21.0	21.4	21.0Z
3 Business Machines	377.8	300.8	363.2	345.6
2 Bus Lines ('26 Cl.—100)	183.1	152.3	152.3	152.3
6 Chemicals	388.7	326.0	378.9	365.8
3 Coal Mining	18.3	13.2	13.3	13.2Z
4 Communication	72.5	58.3	62.0	58.3Z
9 Construction	69.5	60.2	63.7	61.9
7 Containers	428.8	376.5	410.6	392.5
9 Copper & Brass	147.1	126.3	135.4	126.3Z
2 Dairy Products	83.4	75.9	76.7	75.9
5 Department Stores	84.5	66.0	68.9	66.0Z
6 Drugs & Toilet Articles	235.0	213.6	220.0	213.6Z
2 Finance Companies	293.4	243.0	278.7	276.3
7 Food Brands	200.9	171.4	176.8	171.4Z
2 Food Stores	118.4	103.8	104.9	103.8Z
3 Furnishings	75.0	65.7	69.0	65.7Z
4 Gold Mining	724.1	579.3	579.3	601.6

(Nov. 14, 1936, Cl.—100)	High	Low	June 22	June 29
100 HIGH PRICED STOCKS	117.0	107.11	110.92	107.11Z
100 LOW PRICED STOCKS	245.8	208.63	217.22	208.63Z
5 Investment Trusts	91.4	84.8	88.1	84.8
3 Liquor ('27 Cl.—100)	1202.0	1066.6	1112.5	1066.6Z
11 Machinery	206.4	177.7	187.3	177.7Z
3 Mail Order	152.0	125.3	129.3	125.3Z
3 Meat Packing	109.1	85.7	89.9	85.7Z
13 Metals, Miscellaneous	280.9	233.0	247.9	233.0Z
4 Paper	386.6	344.3	366.5	349.6
29 Petroleum	397.6	355.0	387.0	372.8
30 Public Utilities	152.8	142.5	145.8	143.1
9 Radio & TV ('27 Cl.—100)	31.4	26.6	27.6	27.9
8 Railroad Equipment	73.8	57.5	63.0	57.5Z
24 Railroads	45.4	34.2	37.3	34.2Z
3 Realty	41.0	34.3	37.0	34.3Z
3 Shipbuilding	181.0	139.1	150.8	139.1Z
3 Soft Drinks	395.5	320.3	323.7	320.3Z
15 Steel & Iron	169.5	134.1	141.5	134.1Z
3 Sugar	77.6	66.5	74.7	70.3
2 Sulphur	473.1	425.3	451.4	438.3
5 Textiles	223.6	193.3	199.4	193.3Z
3 Tires & Rubber	61.6	51.2	59.7	58.2
6 Tobacco	86.1	75.3	77.7	75.3Z
2 Variety Stores	320.7	301.1	307.2	301.1Z
20 Unclassified ('49 Cl.—100)	127.3	109.4	114.0	109.4Z

Z—New low for 1951.

Trend of Commodities

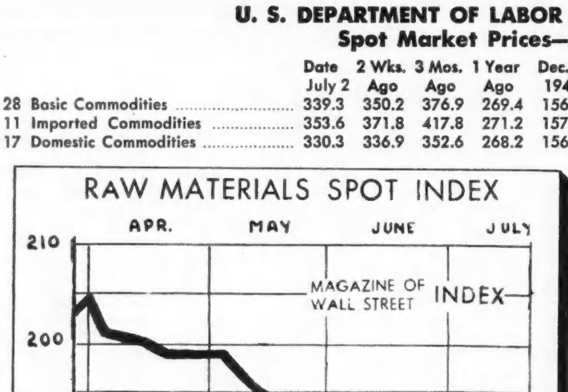
Commodity prices suffered further setbacks in the past two weeks with most futures making new lows for the year. However a sharp rally on July 2 cut losses greatly as grains rallied 1 to 9⅞ cents that day and soybeans were up as much as 10 cents. September wheat had fallen to a low of 233⅞ on June 29 but closed at 238 on July 2, still down 3⅞ from its price two weeks earlier. Announcement of the Government loan level on wheat to average 2.18 on the farm brought in some buying. The loan level is equivalent to 2.50 in Chicago but as farmers will have to pay storage charges, the effective loan rate will be about 2.39½. Despite poor weather in the wheat belt, a crop in excess of one billion bushels is still looked for. With the 397 million bushel carry-over available on June 30, this will mean a total supply of some 1.45 billion bushels in the new season. At present only about 190 million bushels of wheat is owned by the CC compared to 327 million bushels a year ago. Prices can ther fore remain below loan levels for some time, pending c version of new crop wheat into Government loan channel October cotton was down 1.04 cents in the past two wee while nearby July was actually 36 points higher reflectin the current shortage. The Government estimate of acreag devoted to cotton on July 1 will be published on July 9 a private forecasters are expecting an approximation of t Federal goal of 28.5 million acres. Plaintings last year totalle 18.6 million acres. Korean peace news chastened sugar spec lators with the September world option dropping to 6.72 cen before meeting support. It had been up to 8.17 ten da earlier. Gyrations in soybean futures left them down abo 10 cents in the two week period ending July 2.



U. S. DEPARTMENT OF LABOR INDEX OF 28 BASIC COMMODITIES
Spot Market Prices—August, 1939, equals 100

	Date July 2	2 Wks. Ago	3 Mos. Ago	1 Year Ago	Dec. 6 1941
28 Basic Commodities	339.3	350.2	376.9	269.4	156.9
11 Imported Commodities	353.6	371.8	417.8	271.2	157.3
17 Domestic Commodities	330.3	336.9	352.6	268.2	156.6

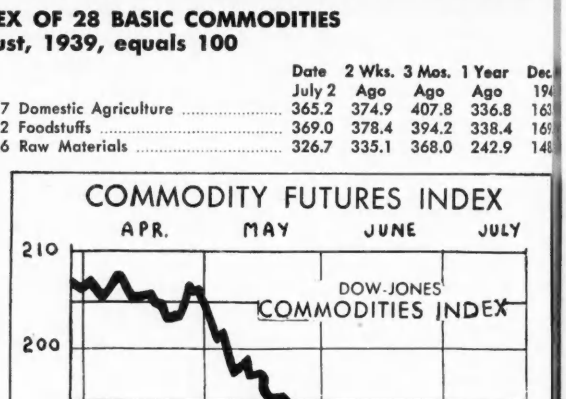
	Date July 2	2 Wks. Ago	3 Mos. Ago	1 Year Ago	Dec. 194
7 Domestic Agriculture	365.2	374.9	407.8	336.8	163
12 Foodstuffs	369.0	378.4	394.2	338.4	169
16 Raw Materials	326.7	335.1	368.0	242.9	148



14 Raw Materials, 1923-25 Average equals 100

Aug. 26, 1939—63.0 Dec. 6, 1941—85.0

	1951	1950	1947	1945	1941	1939	1938	1937
High	214.5	304.7	164.0	95.8	74.3	78.3	65.8	93.8
Low	183.0	134.2	126.4	93.6	58.7	61.6	57.5	64.7



Average 1924-26 equals 100

	1951	1950	1947	1945	1941	1939	1938	19
High	215.4	202.8	184.4	111.7	88.9	67.9	57.7	8
Low	179.6	140.8	123.0	98.6	58.2	48.9	47.3	5

Keeping Abreast of Industrial and Company News

On July 2, the U.S. Post Office will inaugurate its new punched card money order system, an event of widespread public interest since over 400,000,000 money orders will be written this year. Under the new system, money orders can be handled in the same manner as checks, and cashed in any city or town and in any bank. This flexibility in the new system is brought about through the processing of the money orders on **International Business Machines Corp.** equipment, some of it especially developed for this use.

The Pensinsular Telephone Company of Tampa, Florida, has become the first independent telephone company in the U.S. to adopt the microwave system of transmission. Equipment for the new system will be manufactured and installed by Federal Telecommunication Laboratories, Inc., research unit of the **International Telephone and Telegraph Corporation.** Federal has produced microwave links which are now operating on more than 12,000 channel miles of non-common carrier fixed circuits in the U.S., and also on circuits abroad.

A new industrial battery charger for units up to 55 ampere-hour capacity is available from the Philadelphia Division of **Yale & Towne Manufacturing Company.** Operating on the selenium rectifier principle, the new charger is designed to give simplified maintenance-free operation, prolong battery lfe, and save power. The charger will reduce the human element to a minimum. It can be plugged into any standard electric outlet and no special wiring is necessary.

The **Westinghouse Electric Corporation** already has begun shipment of electrical equipment valued at many millions of dollars to the new Fairless Works of the **United States Steel Corporation.** The order it is working on is one of the largest single orders ever placed by a steel mill for electrical equipment. The ultra-modern mill, located at Morrisville, Pa., will produce an estimated 1.8 million tons annually of ingots which will be converted into sheet steel, seamless tube, steel bars, and other products when it goes into operation.

Development of "cold" synthetic rubber latex, the first to approach natural rubber latex in service and wearing quality, was announced by the Naugatuck chemical division of **United States Rubber Company,** which calls it a major step toward complete independence from natural rubber supplies in the Far East. Practical high quality latex which can be used as an alternate material for the natural product has been a major bottleneck since commercial production of synthetic rubber started ten years ago.

The Mississippi State Highway Commission has awarded a $6 million contract to **Merritt-Chapman & Scott Corporation** for construction of a 10,198-foot-long, four-lane bridge across Bay St. Louis and preparatory work will be started immediately. The new trestle-type bridge will span Bay St. Louis near its mouth on the Gulf of Mexico to carry U.S. Highway 90 between the town of Bay St. Louis on the west and Henderson Point on the east.

A 21-inch tri-color television picture tube, proving that there are now external limiting factors to picture size in the RCA compatible all-electronic color television system, was shown for the first time at a technical symposium conducted by the **Radio Corporation of America** for 231 radio-television manufacturers.

The contract for design and engineering of a sulfuric acid alkylation plant at El Paso, Texas, has been awarded by the Standard Oil Company of Texas to the **M. W. Kellogg Company,** refinery and chemical engineers (subsidiary of Pullman Incorporated). Cost of the plant will be upwards of one million dollars.

Pennsylvania Railroad has received final delivery on 62 road freight Diesels and nine road passenger Diesels ordered in August 1950. In addition it has received deliveries of 111 of 143 switching Diesels also ordered last August. It will receive ten additional switching engines this month and the remaining 22 by October. With the completion of the recent order, the Pennsylvania will have 1,168 Diesel locomotives and will have spent approximately $254.5 million for this type of motive power. Including service facilities, the road's total investment in Diesel power will be around $273.5 million.

Northrop Aircraft, Inc., of Los Angeles announced plans to build a 250,000 square foot plant at Anaheim, Cal., which it will use to make optical range finders for the U.S. Ordnance Corps. The range finders are to be used in tanks. Plans call for completion of the structure by November 1. Full-scale operations are scheduled to get under way by 1952 with 2,500 workers.

Heyden Chemical Co. is constructing new facilities at its Fords, N. J. Division plant which will double the capacity for production of ortho-chloro-benzaldehyde and ortho-cloro-bencoic acid. These products are important in making chrome dyes for uniforms required by the Army and also have increasingly wide application in production of high quality dye-stuffs and pigments for civilian use.

The chemical plants division of **Blaw-Knox Co.** has received a contract from **Merck & Co., Inc.,** to build a chemical recovery plant at Danville, Pa. The plant will be used to recover waste nitrogen oxides and convert them to usable nitric acid. Merck & Co. is expected to operate the new unit by fall.

Philadelphia Electric Co., one of the nation's largest operating utilities, plans to spend approximately $320 million in the next five years to complete its $500

million postwar expansion program. The company will add 725,000 kilowatts of capacity in the years 1951 through 1955. Of the $320 million, slightly more than $150 million will be raised through the sale of securities. The remainder will come from internal sources, principally depreciation reserve funds and retained earnings.

Republic Rubber Division of **Lee Rubber & Tire Corporation** plans to build a $2 million addition to its Youngstown, Ohio, plant to handle defense orders. The new structure, for which a certificate of necessity permitting accelerated amortization has been granted, is scheduled for completion in about ten months and will add 12% to the Youngstown plant's floor space.

Continental Can Co. will erect a multi-million dollar plant in Pittsburgh, Calif., to make fibre shipping drums. Management stated that growing demand for this type container made it necessary to construct the additional facility. Continental has four other fibre drum factories.

Rayonier, Inc., has been granted certificates of necessity permitting it to accelerate amortization of 65% of the $6.78 million cost of expanding capacity of four of its mills by 45,000 tons or approximately 10%. The largest expansion will be made at its Fernandine, Fla. mill which will increase that unit's production of pulp for tire cord and cellulose acetate in excess of 20,000 tons a year.

Armco Steel Corp. announced it has licensed **Allegheny Ludlum Steel Corp.** to use its patents covering processes for production of special types of electrical alloy steel sheets. These grades of steel are used by electrical equipment manufacturers in producing transformers, generators and other electrical equipment. Several patents are covered by the license.

Texas Gulf Sulphur Co. has completed plans to increase the capacity of its Moss Bluff mine in Liberty County, Texas, by 50%. The project is another in a long series of steps taken over the past four years to alleviate the world shortage of sulphur. Company also disclosed extensive exploration work is being carried on by one of its subsidiaries in the hopes of finding commercial deposits of sulphur which can be operated by the Frasch or hot water process of mining. During the past two years, Texas Gulf has increased its sulphur production from two million to three million tons a year.

Celanese Corporation of America announced it has started construction of a large plant at Bishop, Texas, which will increase several times the output of paraformaldehyde, a critical defense raw material. The latter is used in making plastics and resins, and as a bacterioidal agent to permit oil well drilling under special conditions.

Phillips Petroleum Co. is expanding its Texas-Chicago products pipeline to Chicago and is building new underground storage facilities at Chicago and Kansas City in a major program designed to relieve the present shortage of propane gas in the Chicago and Great Lakes area and also to meet anticipated future demand. The project will boost the present capacity of the pipeline between Borger, Texas, and East Chicago, Ind., from 30,000 barrels a day to 50,000 barrels. It will require the laying of 500 miles of pipeline and is scheduled to be completed before the peak propane consumption period begins next January.

International Minerals & Chemical Corporation has purchased Thomson Phosphate Co., a Chicago firm selling and distributing fine ground phosphate rock. The Chicago concern has been buying its raw material requirements from International Minerals and shipping it out regularly to about 500 dealers in 28 states.

Ryan Aeronautical Co. revealed it is expanding its operations into the manufacture of rocket engine components, announcing that the company has recently been awarded a contract to produce a small number of complete rocket motors for Douglas Aircraft Co., Inc.

Atlantic Refining Co. announced it has licensed **Richfield Oil Corp.** to use its patented new catalytic reforming process utilizing a platinum-containing catalyst. It is expected that Richfield's initial application will involve the conversion of about 6,000 barrels a day of closely fractionated feed stock to benzene and aviation gasoline aromatics concentrate. **Sinclair Refining Co.** has also acquired the right to install equipment to use the process and is examining the economics of such installations at capacity levels which may amount to as much as 20,000 barrels of gasoline daily. Atlantic Refining is currently constructing a large plant at its Philadelphia refinery to utilize the process in the production of high-quality gasoline.

Seiberling Rubber Co., which up to now has confined its production to tires and tubes, footwear and rubber floor mats, is planning to extend its activities to new lines. The firm has established a new products department to "invent or develop products to be made in the future," according to the management. While potential new products were not specified, it was indicated that the company may experiment in foam rubber products, mechanical rubber goods or any of the thousands of products made with rubber, plastics or synthetics.

Mid-Valley Pipeline Co., jointly owned by **Standard Oil of Ohio and Sun Oil Co.,** is planning to spend between $8 and $9 million to increase by over 50% the flow of crude oil through its Longview, Texas, to Lima, Ohio, crude oil pipeline. The expansion is said to be dictated by increasing defense and civilian requirements for petroleum products.

The Fisher Body Division of **General Motors** plans to double the size of its Grand Blanc, Mich., tank plant. The present manufacturing areas will be increased by 486,000 square feet to 1.1 million square feet, with the new facilities scheduled for completion some time in 1952. The Fisher Division received a $195 million contract on March 9 from the Ordnance Corps for medium tanks and tank production at Grand Blanc should begin August 1 with a working force of about 500 men.

Glidden Company has sold its secondary metals business conducted at Hammond, Ind., for a reported price of slightly less than $8.5 million. The facilities which include a lead refinery and equipment for production of type metal, solder and antimonial lead products, were sold to three Chicago business men. The new owners plan to operate them as Metals Refining Co., Inc. The sale was described by Glidden as another step in its program for expanding output of its chemical and pigment division. In line with it, further expansion of the Hammond plant's capacity is probable.

Can Liberal Dividends Continue?

(*Continued from page* 393)

number of extra dividends was 511 last year and 561 this year. On the side of unfavorable changes, dividends were reduced by 38 companies last year and by only 24 in the same period this year; they were omitted or passed by 66 companies last year and by only 27 this year.

Whether dividends might still be increased, should earnings decline, poses a debatable question. It is now generally expected that earnings will be lower in the second half of this year as a result of the curtailment of the civilian goods industries and the further shift to war production, together with a third stiff increase in taxes on income. It does not necessarily follow, however, that an earnings decline would in itself rule out dividend increases. From 1929 to 1930, for example, the net income of all corporations fell by 70%, yet dividend payments declined by only 5%.

Dividend payments do not depend primarily upon the currently reported earnings but also upon the supply of cash available. The present cash supply might be augmented by various factors such as a cessation of the heavy outlays on plant and equipment, liquidation of inventories and receivables, or by a step-up of charges for depreciation on regular facilities and for the 5-year amortization of war plants.

Finally, American industry held at the year-end, in addition to over $12 billion of cash, an equal amount of government securities. These yield only a low return and might readily be disposed of, should management decide that such a secondary reserve was more than needed and that the excess should be distributed to shareholders.

A Lower Dollar For Europe?

(*Continued from page* 395)

cotton, still remain strong.

However, the argument which most Americans fail to understand is that the pound ought to be appreciated so that Great Britain may earn more foreign exchange. A natural reaction is: Why don't the British exporters raise their prices? The truth is that the British are no shrinking violets in charging what the traffic will bear. They are expected to do so. Mr. Harold Wilson, while President of the Board of Trade, explicitly stated that "the national advantage will be best served by the highest reasonable charge that we (the British) can get for our exports."

Apparently the ECE is convinced that a currency appreciation would work for the benefit of Europe. It argues (1) that the overseas raw material countries will earn in 1951 from $3 to $4 billion more than in 1950 and consequently that they will have enough purchasing power. (2) Because of the rearmament effort here, the United States will not have enough lower-priced goods to compete with Europe which will thus be able to export roughly the same volume of goods but at higher prices. (3) With "inflationary development in the American economy tending to reduce exports and increase imports", Europe's dollar gap, the ECE believes, may not be any worse than before, particularly since the United States is apt to import more of Europe's chemicals, engineering products, and textiles.

The principle advocated in the latest annual report of the ECE that currencies should be moved up and down to protect the carefully planned, socialist-guided European economies from "the cold breath of external influences" not only smacks of the old "economic nationalism" of the 'thirties, but it is exactly the opposite of what the United States has wanted to do ever since the war, and what has cost us so much money in foreign aid. What we have preached and worked for, has been to get away from controls and the rigidity of the planned economy. We have maintained that an expanding world economy can be achieved only through stimulating the exchange of goods among the countries of the Free World. And that this, in turn, cannot be achieved without a free convertibility of currencies.

One of the clearest expositions of the American viewpoint on the subject of European currency appreciation was given by the U. S. Secretary of the Treasury, Mr. John W. Snyder, himself. "Appreciation of currencies under current conditions", said Mr. Snyder, "is likely to have the effect merely of giving a temporary advantage to a particular area to the detriment of the defense effort as a whole and also to the detriment of the economic situation in the rest of the world".

A similar view is expressed by the International Monetary Fund which says that it is keenly aware of the difficulties of inflation which confront its member countries, but that it nevertheless believes that "relaxation of currency restrictions (where the improvement in balance of payments permits it) would have short-run benefits in increasing the quantities of goods available for domestic consumption, thus restraining inflation, and would have benefits outlasting the present emergency by permitting a more economic use of the world's resources". Further, the Fund says that many of the member countries are in a position to relax exchange restrictions. It points out that shortages of commodities are becoming more and more the problem of the day. "Export controls, based on national and international decisions", the Fund comments, "are of growing importance in determining the pattern of world trade and payments."

There is little that we can add to these views. Like Mr. Snyder, "we do not see that the appreciation of currencies will solve Europe's economic problems." We would be willing to concede that fixed exchange rates are not always expedient but we cannot see how anybody can "manage" exchange rates with any reasonable assurance.

Market Continues Vulnerable

(*Continued from page* 387)

developments.

A final word on earnings: Many investors have to be hit in the teeth by publication of unfavorable earnings reports before they are willing to sell the particular stocks affected. Numerous stocks will be so affected by second-quarter reports, third-quarter reports and fourth-quarter reports, with inescapable effect on the averages. That is one of the key reasons why we believe the averages have not yet seen their 1951 lows. Continue to defer any expansion of stock holdings and to maintain the conservative reserves. —Monday, July 9

Safety In Guaranteed Rail Stocks

(*Continued from page* 411)

terminated prior to 1957 though formerly it was terminable on 60 days' notice.

As it is, the stock has paid a dividend every year since 1898 with future payments provided under the terms of the perpetual lease of properties. Smaller debt and improved financial position of the Baltimore & Ohio add weight to the latter's dividend guaranty. Indicated yield on basis of recent asked price of 94 is 6.3%.

Carolina Clinchfield & Ohio Railway $5 *Stock*: Owning about 295 miles of railroad which extend from Elkhorn City, Ky., to the North Carolina-South Carolina state line and thence to Spartanburg, S. C., the "Clinchfield" is principally a coal carrier. It is an important feeder line to the Atlantic Coast Line system and permits very economical operation. The strategic value of the property to the lessees, Atlantic Coast Line and Louisville & Nashville, is well established. All provisions under the lease, including liability for the dividend funds, are a direct obligation of these two railroad systems.

The "Clinchfield" in the past has proved very profitable. During the ten-year period 1939-48, average earnings on the Clinchfield stock was $16.08 a share or over three times the $5 dividend. One reason is that the operating ratio is unusually low, averaging 52% during the ten-year period mentioned, and was 60% in 1948, as compared to the Class I Railroad average of 77%.

Apart from "Clinchfield's" independent earning power, earnings and credit position of the lessees are highly satisfactory, thus rendering the stock particularly attractive. Indicative of its high investment regard, some 30% of the outstanding stock is in the hands of 53 insurance companies. The rental paid for use of the property, including dividends on the stock, ranks equally with interest on Louisville & Nashville as well as on Atlantic Coast line bonds. For such a strong and well secured issue, the 4½ yield is decidedly attractive.

Cleveland & Pittsburgh Railroad Co. $3.50 *capital stock*: This property, leased to the Pennsylvania Railroad for a term of 999 years from 1871, provides the trunk line system with a direct connection between the Pittsburgh district and the Great Lakes at Cleveland. It consists of a double-track main line from Rochester, Pa., and Steubenville, Ohio, to Cleveland—with a single track extending south from Steubenville to Bellaire, Ohio. Thus a total of 200 miles of road are operated, whereof 129 miles double-tracked. Traffic is heavy in relation to capitalization and affords substantial profit to the lessee.

Under the terms of the lease, the Pennsylvania pays all charges and taxes, *including income taxes*, also interest, expenses, and dividends on the stock. There are two stock issues, the $3.50 guaranteed capital stock under discussion, and $2 Special Guaranteed Betterment stock. The capital stock at current price yields about 4.8%. There has never been any interruption in dividend payments since 1871. About 10% of the stock is in the hands of 17 insurance companies.

Providence & Worcester R.R. $10 *Stock*: This road constitutes one of the main freight routes of the New York, New Haven & Hartford R.R. with earning power well in excess of lease rental requirements. Running from Providence, R. I., to Worcester, Mass., the line is practically all double-tracked and extends for 47 miles. Company also owns a substantial interest in the important Providence Terminal properties.

The line was leased to the New Haven at a rental equivalent to 10% on the stock, bond interest, taxes and organization expenses, and rental payments have been maintained in full to-date, attesting to the strategic worth of the properties to the New Haven. However, as a protection against contingencies, the lessor withheld a part of rentals in several years, paying stockholders but $2.50 a share in 1938 and $6 in 1939 and 1940, and $9 in 1941. The regular $10 dividend rate was resumed in 1942. Of the withheld dividends totalling $16.50, $14 was paid in 1948. Stockholders thus still have $2.50 in back dividends coming—on top of the regular annual $10 dividend, which creates a moderate potential for the issue. Current yield is 6.4%.

Pittsburgh, Fort Wayne & Chicago Railway $7 *Preferred Stock*: This is a first class investment issue of which close to 40% is held by 61 insurance companies. The road, with its branches, comprises 500 miles of line extending from Pittsburgh to Chicago. It is one of the most valuable and important pieces of railroad in the world and has an extremely heavy traffic density. All of the line is double-tracked and 157 miles have third and fourth tracks. The company also owns important and unmortgaged terminal properties in Pittsburgh and valuable real estate in Chicago. The lessee agrees to pay all operating expenses and taxes, and a sum equal to 7% on the entire capital stock.

There are no bonds outstanding and without majority consent of preferred stockholders, the company may not create any indebtedness, increase the amount of preferred or sell any of its properties. As of a recent date, about 46,300 shares of the preferred (23.5%) and 1,138,000 shares of common (99.3%) were owned within the Pennsylvania System, the lessee, and according to a recent supplementary agreement, no dividends are paid on stocks held by the lessee, thereby further strengthening the position of the publicly outstanding shares. The relatively small yield of 4.3% on the preferred stock testifies to the high investment stature of the issue.

Another outstanding investment issue is the $10 guaranteed stock of *United New Jersey Railroad & Canal Co.*, yielding 4.4%, also leased to the Pennsylvania Railroad. Its mileage includes the main line (practically all four-tracked) of the Pennsylvania R.R. from Jersey City to Trenton, and also the parallel line which extends from South Amboy to Camden, N. J. About 21% of the outstanding stock is held by 52 insurance companies.

Higher yields are found elsewhere, ranging from 5% to 7%, with yield rates naturally having a relationship to the investment rating of the issues concerned and the standing of the lessee systems. But since all guaranteed rail stocks possess a superior safety factor, high yields, though implying less than top rating, retain a considerable measure of attraction.

WORLD WIDE BANKING

Chase

THE CHASE NATIONAL BANK

OF THE CITY OF NEW YORK

STATEMENT OF CONDITION, JUNE 30, 1951

RESOURCES

Cash and Due from Banks		$1,379,189,822.86
U. S. Government Obligations		1,380,413,671.13
State and Municipal Securities		192,736,502.02
Other Securities		249,577,266.11
Mortgages		50,842,286.37
Loans		1,892,132,154.45
Accrued Interest Receivable		9,839,383.98
Customers' Acceptance Liability		34,963,268.80
Banking Houses		28,495,426.26
Other Assets		9,705,902.60
		$5,227,895,684.58

LIABILITIES

Deposits		$4,793,337,782.27
Dividend Payable August 1, 1951		2,960,000.00
Reserves—Taxes and Expenses		20,233,497.94
Other Liabilities		18,116,396.28
Acceptances Outstanding		42,775,933.95
Less: In Portfolio		*6,715,812.00*
Capital Funds:		
Capital Stock (7,400,000 Shares–$15 Par)	$111,000,000.00	
Surplus	189,000,000.00	
Undivided Profits	57,187,886.14	
		357,187,886.14
		$5,227,895,684.58

United States Government and other securities carried at $581,119,175.00 were pledged to secure public and trust deposits and for other purposes as required or permitted by law.

Member Federal Deposit Insurance Corporation

A Timely Study of I. T. & T.

(*Continued from page* 407)

and improved techniques of operation.

Based on a similar result for 1951, consolidated net profits for 1951 may reach $17,000,000, or in the neighborhood of $2.50 to $2.75 a share. Uncertainties regarding the final decision of the government with regard to corporation taxes may alter this estimate moderately. Owing to past credits, the company may not have to pay any excess profits tax for 1951.

Allowance must be made for the fact that the consolidated return necessarily includes earnings of all subsidiaries and that in the case of some of these units, profits must remain undistributed at least until a more stable period arises. In some cases, undistributed profits of subsidiaries are subject to limitation of payment of dividends, to taxes payable upon declaration of taxes and, to exchange restrictions and regulations.

Financial position of the consolidated companies has greatly strengthened since the disposal of its Spanish and Argentine properties to the respective governments. For example, long-term debt and subsidiary preferred stock combined stood at 158.2 million in 1939 and was a little less than half this amount in 1950, or 72.3 million (including minority interest of $6.2 million). As stated, this was made possible through the sale of the above mentioned properties for which it received a total of about 130 millions. Of the original Spanish payment of 50 million, the company holds in the treasury $12,036,000 of bonds which are being redeemed by the government of Spain at the rate of $2 million a year, plus interest at 4%. A large part of the difference in the amount of funds received from the sale of these properties and the amount of long-term debt retired by I. T. & T. has been utilized in strengthening its domestic manufacturing position, especially with regard to Federal Telephone. This company in its new plant at Nutley, N. J. now posseses what is probably one of the finest and most modern facilities of its kind in the world.

Working capital position of the consolidated companies represents a vast change for the better since 1939. At that time, working capital was less than a million dollars but by 1951 it had risen to not less than $120 million. Cash items in 1939 were $4.4 million and now are $41.9 million. Of course, it must be recognized that the sale of the Spanish and Argentine properties, which made possible the improvement in financial position, at the same time separated the company from a definite source of earnings. However, the over-all benefits are tangible, in not only making possible a great cut in long-term debt and improve in the cash position, but even more especially in permitting the company to proceed with the policy of building up domestic manufacturing facilities. In this connection, the company expects to acquire other manufacturing companies either through merger or purchase.

For many years, I. T. & T. has been a leader as an originator of new patents and methods, and their development, in the field of electronics. Recently, the companies agreed with the Bell system and others upon an exchange of patent data and rights, under specified conditions.

The Micro-Wave Radio Beam

Space does not permit a detailed account of the numerous important developments in the company's activities in the electronics field but two stand out and hold great promise for the future. The first is the development of micro-wave radio beam transmission. Most readers are familiar with this miracle of communication but few realize that the immense world-wide progress in recent years has been due to a considerable extent to the research and development program of I. T. & T. scientists and engineers.

Today, owing to greatly enlarged multi-channel radio transmission it is possible to use this means of communication on a local and international basis in television links and in multiple broadcasting. This world-wide and for the most part invisible network of transmission is applicable to many commercial, industrial and governmental needs. Where the greatest degree of coordination in the exchange of operational data is required, as in the oil and natural gas industries, for example, this facility is now being used extensively by many companies and will in time be adopted as normal equipment by pipe lines, oil companies, governmental agencies operating in isolated communities, public utilities, and gradually will supplement normal telephone facilities in outlying districts.

The second important development is the adaptation of the radio-telephone system for railroad use. This system is a product of Capehart-Farnsworth which is a leader in the field, and greatly facilitates the operating problems of train crews when trouble may arise and exact information must

"High Percentage Gains from 40 LOW-PRICED COMMON STOCKS"

If you own low-priced shares, or if you are planning to invest in them—then you need this study: HIGH PERCENTAGE GAINS FROM 40 LOW-PRICED COMMON STOCKS. A broad survey of low-priced shares designed to aid the investor in formulating and following a successful program. This study gives you the fundamentals of investing in low-priced stocks. Easy to read. Enables you to recognize the important elements in a stock.

THIS IS YOUR OPPORTUNITY

Investors interested in capital gain could well add to their security list a group of Low-Priced shares selected from those recommended in this study, which should show greater percentage advance in a rising market.

—ACT NOW—MAIL COUPON TODAY—

STANDARD & POOR'S CORPORATION

345 Hudson Street, New York 14, N.Y.

$1

Clip a $1 to this ad, sign your name and address and we will send you a copy of this study, "High Percentage Gains from 40 Low-Priced Common Stocks." In addition, we will send you THE OUTLOOK for the next 3 weeks. (Offer open to new readers only.)

Name

Address

City Zone

State Date A772-180

be passed on practically instantaneously.

As far as the stock is concerned at the present price of about 16, holders receive an annual return of 4%, on the basis of the present 15-cent quarterly dividend. It is too early to state that this dividend has been permanently established but foreseeable prospects indicate that probable earning power can well support this rate. As for the longer-range future, the company has many problems due to the chaotic state of world politics. Nevertheless, the management has proved itself resourceful in the face of many and unusual difficulties and, barring another world war, the company seems destined in time to become a more reliable earner than in the past.

This announcement is not to be construed as an offer to sell or as an offer to buy the securities herein mentioned. The offering is made only by the Prospectus.

NEW ISSUES

CHAS. PFIZER & CO., INC.

150,000 Shares 4% Cumulative Second Preferred Stock, $100 Par Value

(Convertible into Common Stock until June 30, 1956)

Price $101.50 per Share

444,015 Shares Common Stock, $1 Par Value

Transferable Subscription Warrants evidencing rights to subscribe for these shares of Common Stock have been issued by the Company to holders of its Common Stock. Such Warrants expire at 3 P.M., Eastern Daylight Saving Time, on July 10, 1951, as more fully set forth in the Prospectus.

Subscription Price to Warrant Holders

$33 per Share

Copies of the Prospectus may be obtained from the undersigned only in states in which the undersigned is qualified to act as a dealer in securities and in which the Prospectus may legally be distributed.

F. EBERSTADT & CO. INC.

June 27, 1951

DAYSTROM, INCORPORATED

DIVIDEND NOTICE

The Directors of Daystrom, Incorporated (formerly ATF Incorporated) on June 28, 1951, declared a regular quarterly dividend of 25 cents per share, payable August 15, 1951, to holders of record July 27, 1951.

See the Daystrom Fashion Academy Award Furniture at your favorite store.

OPERATING UNITS:

AMERICAN TYPE FOUNDERS

DAYSTROM ELECTRIC

DAYSTROM FURNITURE

DAYSTROM INSTRUMENTS

DAYSTROM LAMINATES

Seasonal or Basic Improvement in Soft Drinks?

(*Continued from page* 409)

a share basis fell to $7.41 from $8.76 in 1949. Further shrinkage in sales and earnings is in prospect this year, judging from the first quarter's report and from trade comments. Net profit in the March quarter fell to $1.08 a share from $1.23 in the corresponding period last year. Unless earnings dip sharply in the two good summer quarters, dividends may hold at the $5 figure set in 1950.

Notwithstanding indications of narrowing profit margins and a "tightening of the belt," Coca-Cola remains the dominant factor in the industry, however, and shows no signs of yielding leadership. Its position has been solidified in the fountain distribution system, which accounts for an estimated 16 per cent of sales, and in industrial plant bottle vending machines, where it is believed between 35 and 40 per cent of sales originate. Coca-Cola's competitive position apparently has been weakest in the grocery market, where juvenile shoppers have registered their preference for larger-sized bottles. The home carton business incidentally accounts for more than half of the industry's sales of bottled soft drinks, it is estimated.

As a producer of ginger ale and a variety of fruit drinks as well as root beer, cola and club sodas, Canada Dry is less affected by Coca-Cola's competition than the companies depending largely on cola drinks. Taking the lead in attempting to counteract rising costs by means of price increases, this company marked up prices a year ago and as a result improved sales volume almost 6 per cent in the fiscal year ended September 30, 1950. Net profit rose about 45 per cent from $2.2 million to $3.2 million, equal after preferred dividends to $1.56 a share for 1950, compared with $1.04 a year earlier. Further progress is in prospect this year despite labor difficulties in some areas. Sales volume rose about 15 per cent in the first half of the current fiscal year, while net operating income increased sharply in reflecting wider margins. Higher taxes, however, held down earnings to 48 cents a share this year, compared with 43 cents in the corresponding period of 1950.

Necessity for making provision for excess profits taxes in the final quarter of the 1950 fiscal year, for which no accrual had been made when the books were closed prior to enactment of the tax measure, imposes a burden on this year's results. Nevertheless, unless results in the usually good July-September quarter fall far short of expectations, Canada Dry should experience another satisfactory year. Despite heavier taxes, earnings may come close to reaching last year's figure, for the company has had the benefit

(*Continued on page* 426)

Want BABSON'S report on
INFLATION
with HOLD OR SELL advice on 11 Company Situations

This report, originally prepared for Babson clients, contains a list of 10 stocks which would be helped, and 10 that would be hurt by INFLATION—Stock and Bond outlook—Hold or Sell advice on 11 company situations. Quantity limited, so ACT NOW.

Mail $1 with this ad.
Address Dept. M-99

BABSON'S REPORTS
Wellesley Hills 82, Mass.
FREE—BABSON'S BUSINESS CHART
for prompt reply

Burroughs
204th CONSECUTIVE
CASH DIVIDEND

A dividend of twenty cents ($.20) a share has been declared upon the stock of BURROUGHS ADDING MACHINE COMPANY, payable September 10, 1951, to shareholders of record at the close of business August 10, 1951.

Detroit, Michigan
July 2, 1951

SHELDON F. HALL,
Secretary

JOHN MORRELL & CO.
DIVIDEND NO. 88

Morrell PRIDE MEATS

A dividend of Twelve and One-Half Cents ($0.125) per share on the capital stock of John Morrell & Co. will be paid July 30, 1951, to stockholders of record July 10, 1951, as shown on the books of the Company.

Ottumwa, Iowa
George A. Morrell, V. P. & Treas.

of increased margins this year. Sales of liquor, which boomed following the Korean invasion a year ago, may not come up to last year's volume and this factor may hold down final quarter earnings somewhat this year. Indications are promising for maintenance of the regular 20-cent quarterly dividend, which would mean 80 cents for the calendar year, and it would not be surprising if a small year-end extra were ordered.

Pepsi-Cola, which has been attempting an aggressive comeback under new management, had sales last year of about $40.2 million and net profits of $1.6 million, equal to 28 cents a share. This showing, poorest in a decade, reflected effects of costly readjustments to meet keener competition. Previous reliance on the large 12-ounce bottle intensified handicaps stemming from rising labor and distribution costs. Moreover, reluctance to cultivate the industrial plant dispenser market in previous years had an adverse effect on take-home bottle business. Necessity for taking over independent bottlers in previously franchised areas also burdened operating expenses.

The company apparently has turned the corner, however, with introduction of an 8-ounce bottle for use in vending machines and for point-of-consumption sale in ball parks, circuses and other amusement places where vendors insist on smaller containers that induce the customer to buy two where one 12-ounce bottle might have sufficed to quench a thirst. The new management has introduced operating economies and has improved relations with bottlers in franchised areas to the point where promising sales gains are envisioned. At the same time, the company's so-called captive bottling plant facilities have been enlarged, notably in the South.

While expenses incident to acquisition of bottling equipment and supplies of new bottles in the markets in which former franchised bottlers have been displaced, undoubtedly have increased operating expenses, much of additional investments may be considered non-recurring. Accordingly, earnings may be expected to improve in future years. Net profit this year may double the 28-cents a share of 1950. Whether such a showing would be considered sufficiently promising to justify resumption of dividends is a question for directors to ponder later this year.

Nehi Corporation is a much smaller representative of the industry than the companies previously discussed. This concern had record sales last year of about $10.3 million, or a volume approximately 25 per cent of Pepsi's. Nehi's line includes "Royal Crown" cola and a variety of flavored drinks and root beer marketed under the Nehi or Par-T-Pak brands by independent bottlers supplied with concentrate by the parent company. Like most other concerns in the industry, earnings have not kept pace with sales volume. Net profit dropped last year to approximately $870,000, or 84 cents a share, from $940,000, or 91 cents a share, in 1949. Peak earnings were reached at $1.5 million in 1947. Since a reduction in dividends to 70 cents annually from $1 paid in 1948, the rate has been maintained at 17½ cents quarterly.

Dr. Pepper Company, a moderate sized soft drink company operating principally in the South, has registered improvement recently. Sales rose last year about 8 per cent, but net profit dipped slightly at 86 cents a share, compared with 88 cents in 1949. Earnings in the March quarter this year increased to 18 cents from 15 cents a share a year ago. Prospects appear promising for maintenance of the 60-cent annual dividend paid since 1948.

Are The Rails as Healthy As They Look?

(*Continued from page* 401)

and another 2 per cent for western roads.

According to railroad authorities, Class I carriers have assumed an additional wage burden of $210 million annually since January. Fairly stiff rate increases will be needed to compensate the railroads to this extent. But if general business is maintained at a high level through the coming months, little opposition may be encountered to a satisfactory adjustment.

Fortunately, excess profits taxes seem likely to impose relatively light burdens on most carriers. Except for a few instances, exceptions seem adequate to permit earnings comparing favorably with 1950 results before excess profits levies become effective. This is one of the favorable factors to be taken into consideration in appraising the outlook.

Atchison, Topeka & Santa Fe: Although military shipments to the Pacific Coast may slacken, some observers think wheat shipments for India may help sustain volume. Meantime, industrial activity in the Southwest has reached a higher plane than last

(*Please turn to page* 428)

The Forecast *may greatly* Increase the Productivity of Your Capital in War—Peace Markets

GET THESE CONTINUOUS SAFEGUARDS
For Your Protection—Income—Profit

Short-Term Recommendations for Profit . . . Mainly common stocks but preferred stocks and bonds are included where outstanding price appreciation is indicated.

Low-Priced Opportunities . . . Securities in the low-priced brackets with the same qualifications for near-term profit. Special Defense Program beneficiaries.

Recommendations for Income and Profit . . . Common stocks, preferred stocks and bonds . . . for the employment of your surplus funds and market profits.

Low-Priced Situations for Capital Building . . . Common stocks in which you can place moderate sums for large percentage gains over the longer term.

Recommendations Analyzed . . . Pertinent details as to position and prospects are given on securities advised.

When to Buy . . . and When to Sell . . . You are not only advised what to buy but when to buy and when to sell—when to be moderately or fully committed . . . when to be entirely liquid.

Market Forecasts . . . Every week we review and forecast the market, giving you our conclusions as to its indicated trends. Dow Theory Interpretations are included for comparison.

Telegraphic Service . . . If you desire we will wire you in anticipation of decisive turning points and market movements.

Consultation by Wire and by Mail . . . To keep your portfolio on a sound basis, you may consult us on 12 securities at a time . . . by wire and by mail.

Added Services . . .

Business Service . . . Weekly review and forecast of vital happenings as they govern the outlook for business and individual industries.

Washington Letter . . . "Ahead-of-the-news" weekly reports from our special correspondent on legislative and political developments weighing their effects on business and securities.

Every observant and aggressive investor realizes he faces two problems today:

1—Need for increased income and profit from his capital to meet higher taxes and higher living costs, and,

2—The difficulty of gathering and interpreting correctly the numerous and widespread influences as they affect his securities.

You can conduct through our definite and continuous counsel, a carefully arranged program for market profits . . . and gradually establish an investment backlog of securities for growth of your capital and income.

You will be advised in timing your commitments . . . *in knowing what and when to buy and when to sell* . . . when to contract or expand your position as we gauge important turning points and market movements in the next important phases of the 1951-52 trend.

SHARE IN OUR NEW MARKET PROGRAMS FROM THEIR START

Join our service today, to be ready to take full advantage of our new selections of outstanding investment bargains under the war-economy outlook for 1951. It is important to participate in our investment campaigns from their start—since we time our new purchases carefully and individual stocks can score substantial percentage rises on the initial phase of their advance.

There is no service in its field more devoted to your interests . . . better adapted to today's rapidly changing conditions . . . than THE FORECAST. It is a source of counsel to which you can turn continuously . . . for your protection and profit.

You are invited to take advantage of our Special Enrollment Offer which provides FREE SERVICE to August 14th. *Mail the coupon below . . . today.*

Mail Coupon Today!

Special Offer

6 MONTHS' SERVICE **$60**

12 MONTHS' SERVICE **$100**

Complete service will start at once but date from August 14. Subscriptions to The Forecast are deductible for tax purposes.

FREE SERVICE TO AUGUST 14

7/14

THE INVESTMENT AND BUSINESS FORECAST
of The Magazine of Wall Street, 90 Broad Street, New York 4, N. Y.

I enclose ☐ $60 for 6 months' subscription; ☐ $100 for a year's subscription.

(Service to start at once but date from August 14, 1951)

SPECIAL MAIL SERVICE ON BULLETINS

Air Mail: ☐ $1.00 six months; ☐ $2.00 one year in U. S. and Canada.
Special Delivery: ☐ $4.00 six months ☐ $8.00 one year.

☐ Telegraph me collect in anticipation of important market turning points...when to buy and when to sell...when to expand or contract my position.

Name..

Address..

City.......................... State..........................

Your subscription shall not be assigned at any time without your consent.

List up to 12 of your securities for our initial analytical and advisory report.

year and appears destined to hold up well at least through the remainder of 1951. Profits from the land company are expected to compare favorably with 1950 and full year's results may not fall much short of last year's fancy $31.29 a share. A more liberal dividend seems a reasonable hope soon after the 2-for-1 split becomes effective next month.

Atlantic Coast Line: Growth in industrial activity in the Southeast and improvement in operating efficiency achieved through Dieselization largely account for impressive gains recorded by this important link between the populous North Atlantic region and Florida. Increased revenue from substantial holdings of Louisville & Nashville suggest that net income may approach the fine 1950 showing of $15.51 a share and afford wide coverage for the $5 annual dividend.

Baltimore & Ohio: Results of this road are determined largely by rate of activity in the steel industry. Indications are that unless the armament program is abruptly curtailed, B. & O. will enjoy another satisfactory year. Movement of coal and steel products has held at satisfactory level and management has devoted substantial sums to reduction of R. F. C. loans. Because of high leverage in the road's capitalization, forecasts of results are hazardous. Nevertheless, net income may compare favorably with equivalent of $4.95 a share on common for 1950. Desire to strengthen financial position may persuade adoption of a conservative dividend policy.

Chesapeake & Ohio: Accumulation of adequate stockpiles of coal by leading consumers has been followed by slackening in demands, and C. & O. appears headed for return to normal traffic volume. Earnings comparisons with last year are likely to result in narrower gains. While investors are hopeful of management's approval of plans for restoring $3 annual dividend, there are some indications that need for cash in order to improve equipment may dictate continuance of the conservative $2 rate for time being. A modest year-end extra may be favored.

Erie Railroad: Benefitting from high volume of industrial traffic, earnings of Erie show promise of comparing favorably with 1950 results of $3.20 a share. Management has been reasonably generous with dividends and payments this year seem likely to be as satisfactory as the 1950 distribution of $1.75 a share.

Illinois Central: Although earnings of this road seem unlikely to reach last year's peak showing of $20.83 a share, all indications point to another exceptionally good year. Management has made outstanding progress in reducing debt to modest proportions and time seems approaching for adoption of a more liberal attitude toward common stockholders. Rise in current $3 rate may be considered late in year.

New York Central: Keen competition with trucks on short haul freight and excessive volume of unprofitable passenger business pose serious problems for New York Central. Management has been slow to shift from steam to Diesel power in seeking economies. Earnings improvement has been disappointing and since about half of last year's net stemmed from the non-recurrent mail pay award, results this year may prove disappointing.

Northern Pacific: Better-than-average behavior of these shares may be attributed to enthusiasm over oil developments along the roads' right-of-way in Montana, Wyoming and North Dakota. Prospects of larger 1951 dividends from the company's Burlington holdings encourage belief that earnings this year may compare favorably with 1950 showing of $7.86 a share and afford hope of an increase in the $2 annual rate or disbursement of year-end extra dividend.

Pennsylvania R.R.: Like many other eastern roads burdened with heavy expenses in operating terminals and in handling unprofitable passenger traffic, Pennsylvania faces the threat of a difficult period despite a general high rate of industrial activity. Heavy costs incident to a disastrous train wreck (although partially insured) seem likely to hold down earnings and dictate a cautious dividend policy.

Southern Pacific: Threat of a reduction in traffic destined for the Pacific war zone may serve as psychological deterrent in the case of this carrier even though results for the year show promise of comparing favorably with many years in the past. Wide adoption of Diesel locomotives has enabled the management to keep control over costs. Earnings may not fall too far below 1950 results of $12.55 a share and unless the trend is disappointingly poor, management may feel warranted later in the year in liberalizing current $5 annual dividend.

Southern Railway: Expansion in industrial production in the South has contributed to this road's enlargement of revenues. Diesel locomotives have helped hold down expenses. Prospects for large cotton crop this year afford a favorable factor. Dividends may be held at a conservative $4 rate because of need for conserving funds in anticipation of bond maturities.

Union Pacific: Continued increase in revenues from oil and gas sources to a point where this activity contributes about half of net income is an important favorable factor. Promising outlook for petroleum developments should offset any adverse incident to slackening in military shipments. Earnings may come close to duplicating the 1950 showing of $14.80 a share. In such event, management may feel warranted in ordering another year-end extra dividend of $1 to bring payments to an annual rate of $6.

As I See It!

(*Continued from page* 385)

deviations or withdrawals when opposed by a real show of force as in Greece, Turkey and finally in Korea. The effectiveness of this elastic policy has been considerable in the past and having found it expedient and successful, the Kremlin may want to try it again – withdrawal from the Korean venture and advance elsewhere. Withdrawal in this case may take the form of encouraging world-wide peace hopes and even dangling before the world a Big Power settlement with the aim of lulling the west into abandonment of its rearmament effort. If successful, the subsequent "advance" in exploitation of western weak spots would probably not be long in coming.

Hence soothing noises emanating from Moscow should not fool us but put us on our guard. Above all, while willing to talk peace, we should not be tempted to relax our preparedness efforts. If the pattern of communist aggression means anything, it means that complacency now will be merely a prelude to disaster. For the spell of peace may not last long.

WAR—PEACE DEVELOPMENTS

Make SOUND Investment Judgment Essential

THE position of every security you own may be affected by the peace negotiations in Korea. On the other hand, development of new political sore spots may inject additional forces to which your holdings would be subjected. Obviously, the securities markets for some time ahead will reflect directly in the prices of leading corporation shares, the success or failure of our diplomatic and military maneuvers around the world. For today remote occurrences must be weighed along with local news as our industries accelerate defense production to fulfill our far flung commitments.

TIME FOR DECISIVE AND INTELLIGENT ACTION

The present—NOW—represents a particularly strategic time to recheck every individual security you own, as well as the investment policy YOU are following, in relation to cash reserves, income productivity, inflationary versus deflationary factors and other influential forces.

Such reappraisal must be searching and factual, and must avoid personal emotions and subjective considerations.

It is a difficult task for any individual investor. Rather it is a job for an organization of well trained, seasoned experts in the various phases of investment analysis.

MANAGING YOUR SECURITIES

Just as any business venture rises or falls by reason of management—so the healthy expansion—or the shrinkage—in your capital and income are governed by the competence and nature of the management of your investment account.

Capable management must construct a balanced portfolio, soundly diversified as to type of security, nature of business, geographical location and political influences.

It must plan to produce an income return to meet your individual needs and to provide a degree of safety to fit your personal circumstances.

Proper supervision of securities should anticipate dangers ahead and take steps to protect principal against loss. It should see new opportunities developing and set up a program to participate fully in income and profit benefits to be derived.

CONTINUOUS PERSONAL MANAGEMENT

Investment Management Service can take the initiative in advising you when any changes should be made in your personal investment holdings. You would be relieved of worry, effort and research and would never be left in doubt as to your market position. It is this alert, unbiased counsel which clients have renewed year in and year out.

NOW, with the market in a difficult phase, you should investigate this Service, by taking advantage of the special invitation below.

SPECIAL INVITATION

—without obligation, we offer to send you a confidential, preliminary review of your portfolio if it exceeds $20,000 in value—

An Analysis Of Your Investment Portfolio

commenting frankly on its possibilities for capital growth, its income factor and its diversification. Your least favorable issues will be specified, with reasons for selling. Merely send us your list of holdings and objectives in as complete detail as you care to give. All information will be held strictly confidential.

INVESTMENT MANAGEMENT SERVICE

A Division of The Magazine of Wall Street

A background of forty-four years of service

90 Broad Street — New York 4, N. Y.

Its Great Lakes Steel Corporation serves American industry in America's great automotive center

Great Lakes Steel Corporation, with the only integrated steel mill in the Detroit area, is the natural companion to America's mighty automotive industry in both production and location.

Its complete facilities—blast furnaces, open hearth furnaces, hot strip and sheet mills, merchant mills, cold mills—enable Great Lakes Steel to furnish auto makers and their suppliers with a large volume and variety of finished steel for their tremendous production needs.

And Great Lakes Steel serves a wide range of other industries throughout America—building, rail and highway transportation, home appliances, electrical equipment, to name just a few. It has developed special steels, including famous N-A-X High-Tensile . . . is the exclusive manufacturer of world-acclaimed Quonset buildings and Stran-Steel framing.

The progress of Great Lakes Steel—one of National's seven principal subsidiaries—is another reason why National Steel is one of America's largest producers of steel . . . why it will continue to grow in the future.

NATIONAL STEEL CORPORATION
GRANT BUILDING PITTSBURGH, PA.

SERVING AMERICA BY SERVING AMERICAN INDUSTRY

MAJOR DIVISIONS OF NATIONAL STEEL

GREAT LAKES STEEL CORPORATION, Detroit, Michigan. The only integrated steel mill in the Detroit area. Produces a wide range of carbon steel products . . . is a major supplier of all types of steel for the automotive industry.

WEIRTON STEEL COMPANY. Mills at Weirton, West Virginia, and Steubenville, Ohio. World's largest independent manufacturer of tin plate. Producer of a wide range of other important steel products.

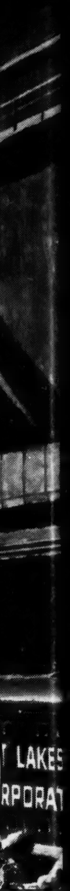
STRAN-STEEL DIVISION. Unit of Great Lakes Steel Corporation. Plants at Ecorse, Michigan, and Terre Haute, Indiana. Exclusive manufacturer of world-famed Quonset buildings and Stran-Steel nailable framing.

HANNA IRON ORE COMPANY, Cleveland, Ohio. Produces ore from extensive holdings in Great Lakes region. National Steel is also participating in the development of new Labrador-Quebec iron ore fields.

THE HANNA FURNACE CORPORATION. Blast furnace division located in Buffalo, New York.

NATIONAL MINES CORPORATION. Coal mines and properties in Pennsylvania, West Virginia and Kentucky. Supplies high grade metallurgical coal for National's tremendous needs.

NATIONAL STEEL PRODUCTS COMPANY, Houston, Texas. Recently erected warehouse, built by the Stran-Steel Division, covers 208,425 square feet. Provides facilities for distribution of steel products throughout Southwest.



L STEEL

Detroit,
ill in the
of carbon
er of all
stry.

Weirton,
World's
tin plate.
mportant

at Lakes
Michigan,
manufac-
ngs and

nd, Ohio.
in Great
articipat-
r-Quebec

N. Blast
ew York.

al mines
Vest Vir-
de metal-
us needs.

Houston,
built by
25 square
n of steel